Ruffled surface
Spanish banks and the plight of Banesto
Page 19

New prescription
Pen computers that speed drug trials
Page 16

Inflexible friend
Why UK exporters blame the banks
Page 14

US budget
Clinton fires the opening shots
Page 6

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY FEBRUARY 8 1994 — D8523A

Engineering strike in Germany looms after talks fail

The threat of an all-out strike in Germany's engineering industry loomed a step closer yesterday, when negotiations for a "pilot agreement" in North Rhine-Westphalia broke down.

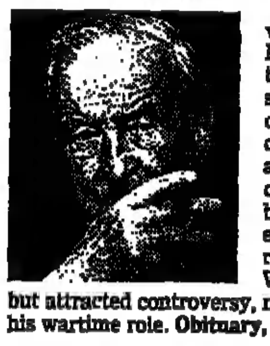
The national executive of IG Metall, the trade union representing 3.6m engineering workers, meets today to discuss calls for an all-out strike. *However, it was clear yesterday that neither side wants to precipitate outright conflict.* **Page 20**

Time Warner, US entertainment group, reported fourth-quarter net income of $7m, down from $68m in the same period of last year, but operating results were modestly better. **Page 21**

Probe into Aer Lingus: The European Union is investigating claims of unfair pricing made against Aer Lingus by Ryanair, one of the state airline's main competitors on the Ireland-UK routes. Officials seized documents in a dawn raid on Friday. **Page 20**

Bank chief steps aside: Giampiero Cantoni, chairman of Italy's Banca Nazionale del Lavoro, announced he was temporarily stepping down.

Death of key figure in German banking



Hermann Josef Abs, who during his postwar heyday as head of the Deutsche Bank stood at the centre of corporate Germany, died at the weekend aged 92. He was the quintessential German banker, using his influence to play a significant role in rebuilding the West German economy, but attracted controversy, not least because of his wartime role. **Obituary, Page 3**

Metallgesellschaft: The supervisory board of the German mining, metals and industrial group was not at fault in failing to prevent the events which led to its near collapse of last month, a senior member of the Deutsche Bank management board said. **Page 21**

Maxwell musical banned: A musical on the life of Robert Maxwell due to open in London this week has been banned by a judge because it might prejudice the trial of the late publisher's sons, Kevin and Ian, and others charged with fraud over the Maxwell empire's collapse. **Page 12**

Probe into MP's death: UK police launched an investigation into the death of Conservative MP Stephen Milligan, 45, who was found dead in his west London flat. Initial investigations pointed to a murder enquiry.

Tokyo stalemate on stimulus plan: Japan's seven-party coalition will resume talks this morning after failing to agree a compromise on how to fund tax cuts to stimulate the economy, undermining prospects for a successful outcome to the US-Japan summit this week. **Page 20; Japan tackles growing drugs bill, Page 4**

Telecoms shake-up called for: Radical liberalisation of national telecommunications regimes is essential to meet Asia's demand for improved communications, according to a World Bank discussion paper. **Page 8**

Clinton wants renewed export controls: The US administration is this week expected to ask Congress for a broad reauthorisation of its power to impose unilateral controls on the export of technology, equipment and products applicable for military purposes. **Page 8**

Egyptian militants warn foreigners: The militant Egyptian Gama'a al-Islamiya group, which is fighting the government, warned that its next attacks would be concentrated on tourism and investment and said foreigners should be advised to leave the country.

Alusuisse-Lonza, Swiss aluminium, chemicals and packaging group, is launching an SFr400m ($276m) rights issue to help finance its SFr610m takeover of Canadian packaging group Lawson Mardon. **Page 21**

Middle East peace hopes raised: Expectations of a crucial advance in peace talks between Israel and the Palestine Liberation Organisation were raised last night as Israeli foreign minister Shimon Peres and Yassir Arafat, PLO chairman, prepared to meet in Cairo. **Page 4**

OECD attacks Sweden: Sweden was told by the Organisation for Economic Co-operation and Development it was living beyond its means and should reform its welfare policies and find new ways to finance state debt. **Page 2**

Clinton's aim to reduce deficit to $165bn faces tough battle in Congress

US budget will cut spending

By George Graham in Washington

US president Bill Clinton yesterday presented a budget proposing sharp spending cuts and a reduction in next year's deficit from $234.8bn to $165.1bn, assuming passage of the administration's healthcare reforms.

More than 300 individual programmes will see funding cut below 1994 levels, including more than 115 cancelled outright, if Congress agrees with Mr Clinton's proposals.

While the overall federal budget will rise by 2.3 per cent to $1,520bn, the increase comes entirely in mandatory programmes such as Medicare and social security, which now make up almost half the federal budget, and in interest payments on the national debt, which will eat up $213bn.

Discretionary spending, which the administration and the Congress must assign in budget laws each year, will decline from $550.1bn this year to $542.4bn in the 1995 fiscal year, which starts on October 1.

The political battle is unlikely to be as fierce as last year, when Mr Clinton needed the casting vote of vice-president Al Gore to pass his first budget, particularly as the only tax increase proposed is a rise in the cigarette tax from 24 cents to 99 cents a packet, already announced to pay for part of the cost of healthcare reform.

But the administration still faces tough fights in Congress before the budget becomes law in the shape of a framework budget resolution – which theoretically should pass by April 15 – and 13 separate appropriation bills defining spending in 13 categories, which must pass before the end of the 1994 fiscal year on September 30.

The budget drew immediate criticism from Republicans such as Senator Pete Domenici, who complained that the money saved from spending cuts would go to increased spending on other programmes rather than to reducing the deficit, and Senator John McCain, who was worried about the depth of the reduction in military spending.

The fiercest resistance, however, may come from Mr Clinton's own Democratic party, where many are anxious about cuts in some low-income housing and welfare programmes.

Mr Leon Panetta, the budget director, said the administration had had to find $24bn of cuts to keep within the budget caps imposed by last year's budget law, which froze discretionary spending for the next five years at 1993's level, with some technical adjustments but no allowance for inflation.

Of that total, $8bn was to cover the cost of increased spending on Mr Clinton's investment priorities, including programmes such as pre-school education and job training, crime prevention, scientific research and road construction.

Six cabinet departments will see their budgets rise by more than the rate of inflation in 1995. But the Agriculture, Energy, Interior and State departments will face absolute cuts even before adjusting for inflation.

Clinton budget brings back rosy scenario, Page 6

Fears of substantial falls prove unfounded after calm restored on Wall Street

Markets stumble after US rate rise

By Philip Coggan in London and Patrick Harverson in New York

International stock markets stumbled yesterday as the aftershock of Friday's rise in short-term US interest rates reverberated round the world.

In London, the FT-SE 100 fell 93.4 points to 3,382.0 by midday before eventually closing 56.3 points down at 3,419.1, a drop of 1.6 per cent on the day. The broader FT-SE 350 index fell 28.8 points to 1,731.7.

Far Eastern stock markets were worst affected, with Hong Kong dropping 6.1 per cent and Thailand falling 6.9 per cent.

But fears of a substantial setback proved unfounded, with European equity markets rallying in the afternoon after a calm opening on Wall Street.

The mood in the markets indicated that yesterday's falls were a one-off correction. Attention will now focus in the short term on Far Eastern markets, with the Hong Kong market falling a further 3 per cent in indicative trading in London yesterday.

The markets were clearly jittery but traders said there was little sign of panic. Much of the fall represented a catch-up with the 96-point decline in the Dow Jones Average on Friday, much of which occurred after European markets had closed.

Analysts said there was still scope for European rates to fall, given low inflation and the relatively depressed European economies. In Frankfurt, the Dax fell 58.85 points, or 2.75 per cent, to 2,079.4. In Paris, the CAC Index dropped 42.11 points, or 1.81 per cent, to 2,287.06.

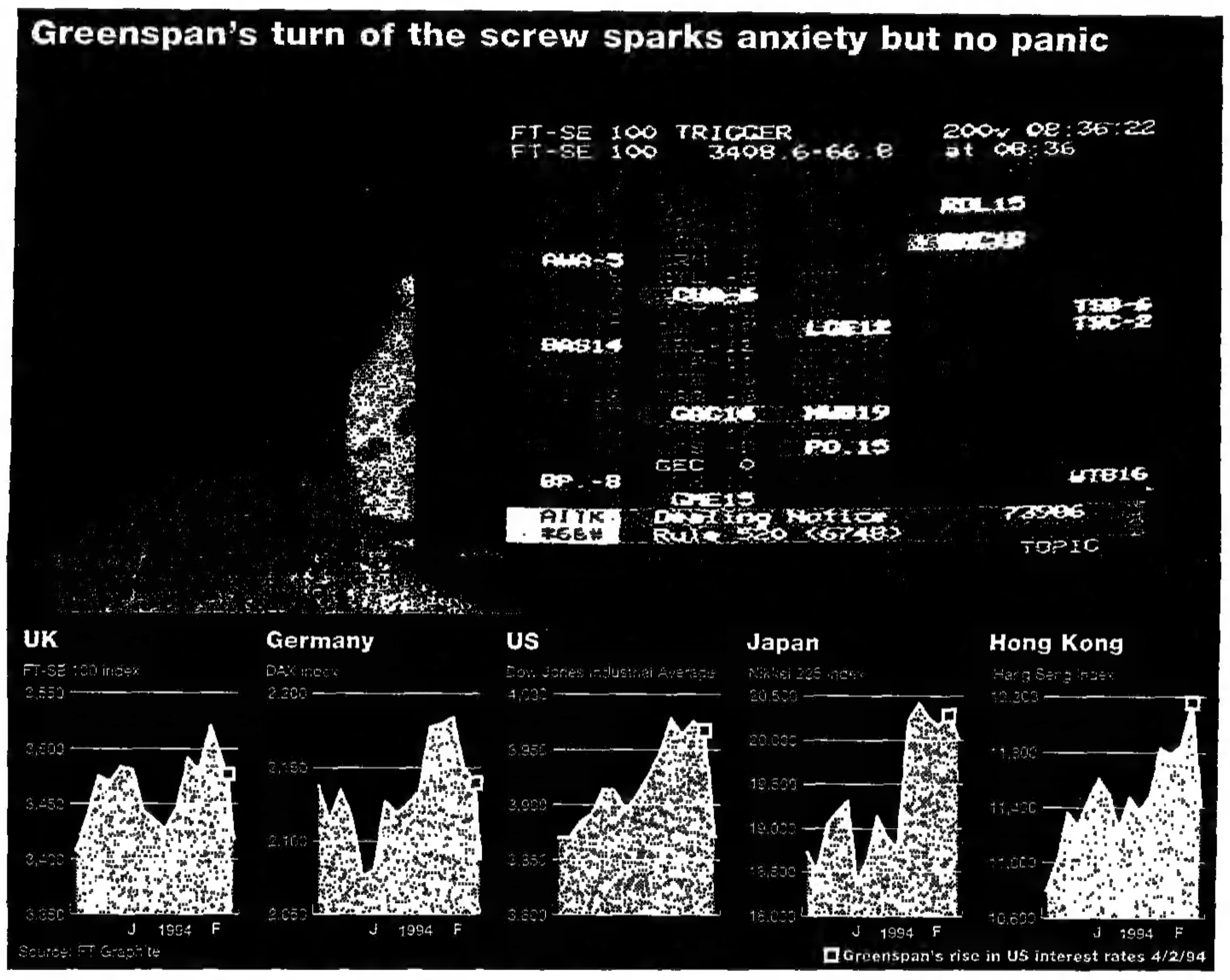
However, analysts pointed to a number of issues that might yet disturb the markets: the Federal Reserve might increase rates farther and faster than anticipated; US private investors might redeem some of their substantial holdings in mutual funds, causing managers to sell equities; or the Bundesbank might decide not to cut interest rates, in order to stop the D-Mark weakening against the US dollar.

Mr Michael Hughes, managing director, BZW Global Economics and Strategy in London, said the latest changes marked an end to the "emerging markets bubble". He said that markets such as Hong Kong, which had been buoyed by speculative flows from US investors, might suffer particularly.

US financial markets were restored to relative calm yesterday after Friday's big losses. Although share prices fluctuated after the opening bell, by noon the stock market had settled down, with dealers reporting plenty of buying and selling activity but no clear direction. Later, a series of computerised buy programs pushed stocks, especially those of big companies such as IBM and Walt Disney firmly higher. By 1pm the Dow Jones Industrial Average was up 22.23 at 3,893.65.

The US Treasury market was also relatively quiet, although continued selling of long-term government securities, some of it linked to this week's auction of $11bn in new bonds, pushed the benchmark 30-year issue down about half a point, to where it yielded 6.387 per cent.

In London, the US dollar traded slightly higher against the D-Mark at DM1.7630 and slightly weaker against the yen at Y108.7050.



EU calls for end to siege of Sarajevo

By Lionel Barber in Brussels and Jurek Martin in Washington

The threat of air strikes against Serb forces encircling Sarajevo moved closer to reality last night after the European Union called for an immediate lifting of the siege of the Bosnian capital.

EU foreign ministers agreed that a decision on the feasibility of launching air strikes against the Serbs could be taken at a meeting of the Nato council as early as tomorrow.

Mr Douglas Hurd, UK foreign secretary, said Saturday's mortar attack on Sarajevo's outdoor market in which 68 people died marked a turning point. "This brings us near a decision in one way or another to a decision to use force."

Mr Alain Juppé, French foreign minister, said his government was losing patience. "If there is no agreement in Nato, then France will not live with the status quo."

President Bill Clinton said the US would back air strikes if it were demonstrated beyond all doubt that the Serbs were responsible for the attack.

In remarks in Houston, Texas, Mr Clinton said it was up to the UN to determine the blame. But he welcomed the request of Mr Boutros Boutros Ghali, the UN secretary-general, that it prepare for the use of air power to relieve the siege of Sarajevo and to protect peacekeeping and humanitarian operations.

Mr Juppé noted that the US attitude was crucial, saying: "The European Union cannot act alone. That is not enough."

The Nato session this week will consider a French plan to issue an ultimatum to the Serbian forces ringing Sarajevo to withdraw at least 30km and hand over all their heavy arms to UN troops, or face air strikes.

Other options, however, are being reviewed based on UN commanders' assessment of the risks of Serb retaliation against the UN peacekeepers and the danger of a halt to humanitarian aid.

A Nato decision in favour of force would require unanimity, overcoming earlier reservations expressed primarily by the UK

Continued on Page 20
Background, Page 2

Sculley resigns from Spectrum

By Louise Kehoe in San Francisco

Mr John Sculley, who was ousted from Apple Computer last year, abruptly resigned yesterday as chairman and chief executive of Spectrum Information Technologies, the small wireless data communications technology company he joined in October.

"Certain aspects of Spectrum's business are not what they were represented to be when I joined the company," Mr Sculley said yesterday. In a lawsuit filed against Mr Peter Caserta, president of Spectrum, Mr Sculley said he was induced to join the company by "fraudulent misrepresentation and omissions regarding Spectrum's financial affairs, legal and regulatory problems and its technical and human resources".

Mr Caserta and other Spectrum officials did not immediately respond to phone calls.

Mr Sculley's move to Spectrum, 48 hours after he was forced to resign as Apple's chairman, shocked industry observers and his former colleagues at Apple. The small, little-known New York state company had a history of legal disputes with investors and competitors.

At the time, however, Mr Sculley expressed his excitement about the prospects for Spectrum and confidence in his decision. "I am tremendously impressed with Peter Caserta and his vision and leadership in building Spectrum as a foundation for expansive growth," he said.

Spectrum's stock price soared on news of Mr Sculley's appointment, gaining 46 per cent to trade at $11.50. Mr Sculley, who was granted extensive stock options when he joined Spectrum, stood to make an immediate paper profit of about $73m.

Yesterday, Spectrum's stock

Continued on Page 20

■ STOCK MARKET INDICES

FT-SE 100	3,419.1	(-56.3)
Yield	3.45	
FT-SE Eurotrack 100	1,495.54	(-34.23)
FT-SE-A All-Share	1,719.48	(-1.7%)
Nikkei	20,014.40	(-287.03)
New York lunchtime		
Dow Jones Ind Ave	3,894.50	(+23.08)
S&P Composite	470.98	(+1.09)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{3}{16}$%
3-mo Treas Bills: Yld	3.29%
Long Bond	$98\frac{1}{8}$
Yield	6.387%

■ LONDON MONEY

3-mo Interbank	$5\frac{1}{2}$%	($5\frac{7}{16}$%)
Liffe long gilt future:	Mar $116\frac{1}{2}$	(Mar $117\frac{3}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.255	(14.535)

■ Gold

New York Comex (Apr)	$389.7	(386.6)
London	$384.7	(387.7)

■ STERLING

New York lunchtime:		
$	1.481	
London:		
$	1.4871	(1.4918)
DM	2.6111	(2.5897)
FFr	8.848	(8.7897)
SFr	2.1814	(2.1564)
Y	160.998	(161.249)
£ Index	82.0	(81.7)

■ DOLLAR

New York lunchtime:		
DM	1.7615	
FFr	5.9750	
SFr	1.472	
Y	108.85	
London:		
DM	1.736	(same)
FFr	5.975	(5.892)
SFr	1.4715	(1.4455)
Y	109.05	(108.09)
$ Index	67.5	(66.8)

Tokyo close Y 108.9

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDH15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000		
						UAE	Dh12.00		

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

BNL chief steps down temporarily

By Haig Simonian in Milan

The chairman of Italy's Banca Nazionale del Lavoro announced last night he was stepping down temporarily following unspecified criticisms by the Bank of Italy.

Mr Giampiero Cantoni's announcement after an evening board meeting shocked bankers and immediately prompted speculation about the bank's transactions.

BNL, which is Italy's largest commercial bank and is controlled by the Italian treasury, reached international notoriety in September 1989 when it was revealed that its Atlanta, Georgia, branch had been the source of huge unauthorised loans to Iraq. The "Atlanta affair", which is still being investigated, led to the replacement of BNL's then chairman, Mr Nerio Nesi, by Mr Cantoni.

There was no suggestion last night that Mr Cantoni's move was related to the Atlanta affair.

More recently, Italian banks have come into the spotlight in the country's two-year-old political corruption scandal, which has led to allegations of politically-influenced lending decisions or financial transactions on which kickbacks were paid to political parties.

Last week, Mr Roberto Mazzotta, chairman of Milan's big Cariplo savings bank, temporarily stepped down after being implicated in alleged financial misdemeanours involving the bank's pension fund. Mr Mazzotta, who was in London when magistrates issued an arrest warrant against him last week, gave himself up to magistrates in Milan yesterday.

Last night BNL said Mr Cantoni's decision was taken entirely "for personal reasons" and related to investigations into alleged infringements of land-use regulations in the *Milan suburb in which he* lived. Numerous local councillors and businessman are alleged to be involved in such infringements, which are being investigated by Milan magistrates.

"Such events are of a personal nature and absolutely unconnected in any way with the bank," said BNL.

BNL also announced Mr Cantoni had informed the bank that he intended to terminate his contract as chairman ahead of schedule in order "to dedicate himself to his business and university activities". Mr Cantoni is the founder of a Milan-based electro-engineering group and also has numerous links in the academic world.

BNL, which has been trying to put the Atlanta affair behind it, has reported a steady profits improvement since Mr Cantoni's arrival. However, the bank, which is still closely identified with the now discredited Socialist party, *remains undercapitalised* and has appeared increasingly isolated in the present government's privatisation drive.

Blanket coverage of his party convention infuriates opponents

Berlusconi wields television weapon

By Robert Graham in Rome

The launch of media magnate Silvio Berlusconi's campaign to head Italy's next government has provoked a long simmering debate over the politicised use of television.

The trigger for the debate was the blanket coverage given by Rete Quattro (Network Four), one of Mr Berlusconi's three national commercial channels, to the convention on Sunday of his newly formed political movement, Forza Italia (Come On Italy!).

Mr Berlusconi's Fininvest controls more than 80 per cent of Italian commercial television through a deal agreed by the main political parties in the late 1980s. Ironically, until his political ambitions became fully apparent last December, Mr Berlusconi's networks were considered freer of political interference than the three run by the RAI state corporation.

But on Sunday, Rete Quattro cancelled its advertised programmes to broadcast 50 minutes of live coverage of Mr Berlusconi's speech – his first important statement since announcing his entry into politics two weeks ago. This was followed by a special programme on the Forza Italia convention lasting almost 40 minutes. Later in the evening, a little edited version of the Berlusconi speech was replayed on Rete Quattro.

Mr Berlusconi's other channels gave less coverage, but this was largely because Mr Enrico Mentana, head of news at Network Five, has publicly distanced himself from attempts to fill his news programmes with biased coverage.

Supporters of Mr Berlusconi recognise the potential conflict of interest between the terms of his television concession and his political ambitions. However, they say that this is still outside the period of the formal election campaign. That starts on February 25 and thereafter all political propaganda is strictly controlled. Thus it seems the Berlusconi camp is determined to exploit its access to publicity to the maximum in the run up to February 25.

Indeed, Mr Berlusconi's opponents believe that one of the reasons behind his running for office is the future of his debt-burdened Fininvest empire. They say Mr Berlusconi fears a victory by the alliance headed by the former communist Party of the Democratic Left (PDS) in the March 27 general election would lead to an early renegotiation of commercial television franchises to the detriment of Fininvest. Nowhere else in Europe does one company have such a monopoly position in commercial television.

Yesterday, the Republicans, Greens and members of Reconstructed Communism all called for tighter government controls on the use of television air time. But it will be very difficult to impose effective sanctions on what has already happened and Mr Berlusconi has undoubtedly been the beneficiary of such television exposure. Opinion polls show he has the highest ratings of any potential leader.

Finland's loser is still a winner

Hugh Carnegy assesses the result of the presidential election run-off

Mrs Elizabeth Rehn, the defeated candidate in Finland's presidential election, discovered on Sunday that standing political convention on its head was not, after all, as easy as the opinion polls had suggested two weeks ago.

In the end the solid, if unspectacular, appeal of Mr Martti Ahtisaari, a United Nations diplomat and Social Democrat, overcame the flamboyant challenge by a margin of 53.9 per cent to 46.1. Her natural charm and easy intelligence at one point seemed set to make Mrs Rehn, the defence minister and a member of Finland's small Swedish-speaking minority, the country's first woman president.

But Mrs Rehn still achieved a remarkable result which may have further consequences for Finland's political establishment. She demonstrated that after three years of deep recession, when the economy has shrunk by almost 15 per cent, many Finns had become so disillusioned they could be persuaded to vote for a candidate who represented a 6 per cent ethnic minority traditionally viewed with some suspicion by the Finnish majority.

Her emergence in the first round of voting ahead of the candidates of the Centre and Conservative parties – the main parties in the coalition of Prime Minister Esko Aho – stunned government and opposition parties alike.

The Social Democrats are now favourites to win the general election in March 1995, but all the main parties expect an erosion of traditionally strong voter loyalty, making the outcome more unpredictable.

Meanwhile, Mr Ahtisaari may face an uncomfortably warm introduction to office when he takes over, for a six-year term, from President Mauno Koivisto on March 1. By then, Finland – along with fellow applicants Austria, Norway and Sweden – is supposed to complete negotiations on an accession accord with the European Union, clearing the way for a referendum to decide the issue later this year. But the deadline could well be missed as key questions remain unresolved.

On the Finnish side, the chief obstacle is Helsinki's demand that its agriculture be treated as a special Nordic category under the Common Agricultural Policy. This demand has been rejected by Brussels, which so far has conceded only that certain areas be afforded subsidies under the Union's regional policy structure.

"We have to have the principle of subsidies for all of Finnish agriculture or we are in big trouble," a senior Finnish diplomat said. Mr Ahtisaari, a strong supporter of Finnish entry to the EU, said on Sunday he would intervene in the negotiating process once in office "if need be" – an eventuality which could lead to tension with Mr Aho, whose rurally-based Centre party is split on joining the EU and cannot afford an accession deal which is unpopular with the Finnish farmers.

Mr Aho has already firmly rejected any question of altering the government's tight fiscal policies following Mr Ahtisaari's victory. The new president – who has little formal role in domestic policy – says he wants to persuade the government to adopt more interventionist policies to tackle unemployment, running at almost 20 per cent.

But with the economy set to return to modest growth this year, Mr Aho is anxious to curb a budget deficit of around 10 per cent of GDP. He insists that he will stick to his strategy of tight spending limits, market reforms and low interest rates.

Mr Martti Ahtisaari has a celebratory beer with his wife in Helsinki — Associated Press

Support is growing in Norway for EU entry

Norwegians are warming to membership of the European Union, according to an opinion poll published yesterday in the tabloid daily Dagbladet, writes Karen Fossli from Oslo.

The poll showed a three percentage point gain from January to 36 per cent in favour of Norway's application to join the EU. Opposition fell two points to 52 per cent.

Norway is currently negotiating accession to the EU alongside Sweden, Finland and Austria, but its electorate has voiced the fiercest resistance of the four countries' voters to the move. However, fears about developments in neighbouring Russia, where nationalists gained the largest vote in recent parliamentary elections, have swelled support for EU membership, say analysts. Those undecided about joining the Union dropped one percentage point to 12 per cent, but overall support for EU membership is the strongest in more than six months.

Sarajevo deaths revive debate over response

By Robert Mauthner, Diplomatic Editor

The latest atrocity in Sarajevo, in which 68 people were killed by a mortar bomb in a city-centre market, has revived the long-running debate over the appropriate response to such an outrage.

The United Nations has not yet been able to provide proof that the Bosnian Serbs, the widely presumed perpetrators of the tragedy, were responsible and US President Bill Clinton has pointed out that any retaliatory action should be based on such evidence.

But if it is established that the Bosnian Serbs were responsible, it is still a matter of disagreement what the international response should be. With any action by UN ground troops, other than in self-defence, ruled out in advance – not least because they are far too weak to undertake such a task – western governments appear to be swinging in favour of air strikes against Bosnian Serb artillery positions overlooking Sarajevo.

That would salve the consciences of western governments which have shown themselves powerless to stop the slaughter in Bosnia by peaceful means or verbal threats. It would also do something to restore the credibility of Nato, which has failed so far to carry out repeated threats to strike back at the Serbs if they did not end their "strangulation" of Sarajevo.

Possibly, air strikes could help to bring the Bosnian Serbs to their senses and persuade them to make a bigger effort to reach a peace settlement with the Moslems. But that is very much an outside chance. A more likely result would be a renewed offensive by the Serbs.

They would probably redeploy their artillery around the Bosnian capital, retaliate against the thousands of UN peace-keeping troops in Bosnia – mainly French, British, Canadian, Spanish and Dutch – and force their withdrawal from Bosnia, as many politicians are already demanding.

The inevitable result would be that UN aid convoys would be deprived of their military escorts and that their operations might have to be suspended altogether, threatening hundreds of thousands of Bosnians with starvation and death from cold.

A decision to launch air strikes is also likely to break the international consensus on Bosnia, since it does not look as if it would gain Russian support in the UN Security Council. Under great pressure from Russian nationalists, such as Mr Vladimir Zhirinovsky, President Boris Yeltsin would find it very difficult to endorse armed action against Russia's traditional Slav allies, such as Bosnia's Serbs.

Air strikes, as the new US defence secretary, Mr William Perry, has pointed out, could only be the first act. After the initial shock, it would still be necessary to reach a political settlement, for which prospects would not necessarily have been improved by international military intervention.

EU smiles more kindly on Ukraine

By Lionel Barber in Brussels

Foreign ministers of the European Union were last night poised to give the green light for talks on a more generous trade agreement with Ukraine to be concluded before next month's elections there.

The proposed agreement is viewed as a tool for strengthening the hands of moderates in the republic as they struggle to prevent the disintegration of the economy and the rise of nationalism.

During his visit to Washington last week, Mr Douglas Hurd, UK foreign secretary, was told by Mr William Perry, the new US defence secretary, that the Clinton administration viewed political instability in nuclear-armed Ukraine as the number one national security problem.

The proposed partnership and co-operation agreement between the EU and Ukraine would be broadly similar to one currently under negotiation with Russia. It suggests that the European Union is trying to pursue a less Russo-centric and more even-handed policy toward the two most important ex-Soviet republics.

EU officials said ministers were likely to give the European Commission the go-ahead for a new mandate for talks aimed at reaching agreement before the parliamentary elections on March 27.

Ukraine would like to include a commitment by the EU to review the partnership accord in 1998, with a view to joining a future free trade zone. It also wants more generous access for Ukrainian steel and aluminium imports, and an easing of restrictions on visas for businessmen.

Mr Anatoly Zlenko, Ukraine's foreign minister, is due in Brussels today. He is expected to submit Ukraine's formal application to join the Nato alliance's Partnership for Peace, and to hold talks with the Greek presidency on the trade accord.

UK less cool to military action

By Philip Stephens, Political Editor

The UK government last night backed away from its previous opposition to military action by the west to break the siege of Sarajevo.

As Mr John Major, the prime minister, summoned an emergency meeting of senior ministers for this morning, senior officials said he was committed to immediate and "muscular" action to end the bombardment of the Bosnian city.

But they repeated that British participation in air strikes against the Serb forces would depend on such action setting out to secure limited tactical objectives. The UK would also insist that western governments be guided in their response by the advice of UN commanders in Bosnia.

Officials said Mr Major remained convinced that generalised strategic bombing would not bring the conflict to an end and would threaten the humanitarian aid effort in the former Yugoslav province. In the past, Britain has also been the most forceful opponent of any action which might prompt the Serbs to retaliate against UN ground troops.

With some 2,500 troops in Bosnia, the prime minister has faced strong pressure from Conservative MPs not to take action which would threaten British forces. That pressure was reinforced yesterday by warnings from leading MPs of the risks of air strikes.

But Mr Major's officials acknowledged yesterday that the weekend massacre of civilians in Sarajevo had created "a new situation". They also suggested that the UK was now prepared to back armed efforts to demilitarise Sarajevo and to establish UN administration in the city.

This morning's meeting of ministers had been called to endorse the new position ahead of planned talks by Nato ministers and commanders to agree on the precise terms of military action.

Trade surplus for Russia

Russia recorded a $16bn foreign trade surplus in 1993, thanks to increases in energy and raw material exports and a sharp fall in imports thanks to a cut in the system of centralised purchases by the state, writes Leyla Boulton in Moscow.

Mr Oleg Davydov, foreign trade minister, was quoted by Itar-Tass news agency yesterday as saying that imports fell to $27bn, down 30 per cent from their 1992 level.

OECD calls Sweden to order

By Christopher Brown-Humes in Stockholm

Sweden was told bluntly yesterday it was living beyond its means and should take tougher measures to reform its welfare policies.

The pension and benefit systems should be overhauled, labour market laws eased, and new ways found to finance state debt, the Organisation for Economic Co-operation and Development said in its latest report.

"Given the limits to sound financing of welfare expenditure have already been surpassed, the country cannot simply continue as if nothing has happened," the organisation stressed.

Tough action was necessary to prevent a "rising tide of unemployment and budget deficits" from destroying conditions for stable economic growth. Unemployment, including people on training schemes, has risen to 13 per cent of the workforce, while the budget deficit at 14 per cent of gross domestic product is one of the highest among OECD members.

The organisation's report said unemployment and sickness benefit levels were still high by international standards, and the pension system needed to be put on a sounder financial footing. It called for *measures to increase labour* market flexibility, including reforms of employment protection legislation.

It also urged the government to signal its commitment to low inflation by introducing index-linked debt instruments.

The OECD expects the economy to start rebounding this year from its worst downturn since the 1930s. It forecasts GDP growth of 1.5 per cent in 1994 and 2.2 per cent in 1995, significantly less optimistic figures than government fore*casts of 2.4 per cent and 2.9 per* cent respectively.

The OECD believes the export-led recovery, which became evident last year following the sharp weakening of the krona, will continue over the next two years. But it is not so optimistic about prospects in the domestic sector, where it expects demand to stay weak.

Unemployment, excluding those on training schemes, is forecast to peak this year at 8.8 per cent of the workforce before easing next year to 8.4 per cent.

"Even with some likely recovery of business investment in response to lower interest rates, unemployment can be *expected to rise* further before beginning to fall slowly. Similarly, with revenue growth remaining subdued, progress in reducing the huge government deficit will also be slow," the OECD warned.

On the positive side, it said it *expected inflation to remain* low and the external balance to move into surplus.

OECD SWEDISH ECONOMIC FORECAST

	1993	1994	1995
Final domestic demand*	-5.3	-1.2	0.9
Gross domestic product*	-2.7	1.5	2.2
Current account balance (as % of GDP)	-0.1	1.3	2.7
Unemployment	8.2	8.8	8.4

* Percentage changes

Source: OECD

ILO reports severe job losses in Russia

By Frances Williams in Geneva

Russian industry has suffered severe job losses over the past three years according to an International Labour Organisation report released yesterday.

Mr Guy Standing, head of the ILO's central and eastern European team, said there had also been a big increase in the number of workers on unpaid leave or working short-time. This year could see even more jobs cut.

Nearly a third of the enterprises surveyed last year feared they could soon go bankrupt, under new laws soon to come into effect, mainly because of debts owed to other enterprises.

The real level of unemployment in Russia was already some 6-7 times the official rate of about 1.5 per cent, he added, warning that the growth of a large marginalised minority endangered economic and social reforms.

However, the findings were dismissed by Professor Richard Layard of the London School of Economics, who has been helping Russian economic reformers with labour problems. He said he had had "long conversations" with the ILO representative compiling the figures but remained convinced unemployment stood at 1.4 per cent.

The ILO has called for an international commission to co-ordinate assistance to Russia on labour market and social protection issues.

The 340 enterprises surveyed in 1993 cut employment on average by 8.8 per cent over the previous 12 months, similar to the decline shown in two previous surveys and bringing the cumulative fall since 1991 to well over 20 per cent. Nearly 40 per cent of factories said they could meet current low levels of output with fewer workers, almost a quarter fewer on average.

Five per cent of all workers were on unpaid leave in 1993 which, if extended to the economy as a whole, could involve more than 2.5m workers. Short-time working had become "pervasive", with 10 per cent of normal hours not being worked.

At a news conference in Geneva Mr Standing said the survey results contradicted claims by some Russian reformers that "shock therapy" had never been tried because industry had not shed workers. State enterprises had actually cut employment by more (13 per cent) than those in private hands last year, he noted.

The survey confirms the rapid pace of privatisation in Russia; about a third of enterprises remained in state hands in 1993, against 55 per cent in 1992, and most of these expected to change ownership in the near future.

NEWS IN BRIEF

Car sales show slight recovery

West European new car sales rose by 6.3 per cent to 1.029m in January compared with the same month in 1993, according to provisional figures from the European Automobile Manufacturers Association, writes Kevin Done.

The increase ends 12 successive monthly declines, but the scale of recovery remains modest, as sales in January 1993 were very depressed, having fallen 23 per cent from the previous year.

New car sales fell by an estimated 15.2 per cent in the whole of 1993 to 11.45m, the steepest annual decline in the post-war period. Most industry forecasts suggest a marginal 1-2 per cent recovery this year.

The increase in January was led by a *significant* rise in the UK, where new car registrations jumped by 20 per cent year-on-year, and by rises of 15 per cent in France and an estimated 28 per cent in Spain.

By contrast, sales declined further by 10 per cent in Italy and were estimated to have risen by only 2 per cent in Germany, the single largest market in Europe.

French fishermen delay strike vote

Some 3,000 fishermen from Brittany and the Vendée ports yesterday postponed for two days a decision on whether to end their strike action following last week's French and European aid measures, writes David Buchan from Paris.

The fishermen's move to reconsider their "strike" at another meeting tomorrow was followed by their colleagues in the Channel ports of Boulogne and Dieppe.

Venice, Mestre stay united

In a weekend referendum, almost 56 per cent of voters rejected a proposal to separate the industrial town of Mestre from the Venice administration, writes Robert Graham. It was the third abortive attempt since 1979 to force a divorce.

The outcome means that Mestre's problems of industrial pollution and urban regeneration can be treated as a coherent whole with those of Venice.

GNP up 2.5% in Norway

Norway's statistics bureau yesterday presented an upbeat prognosis of the domestic economy, with gross national product estimated to have risen by 2.5 per cent in 1993, writes Karen Fossli from Oslo.

It forecast gross domestic product would grow by 3 per cent in 1994, slowing to 2.6 per cent in 1995, with growth in the mainland economy (excluding oil and shipping) of 2.2 per cent this year, rising to 2.5 per cent in 1995.

Private consumption is expected to increase by 3.1 per cent this year and next, against a rise of just 1.7 per cent in 1993. This increase will be helped by a forecast fall in interest rates.

FT journalist wins award

Edward Mortimer, foreign affairs editor of the Financial Times, has won the 1993 European Press Prize, jointly with Johann Georg Reissmüller, editor of the Frankfurter Allgemeine Zeitung. The prize, awarded annually by the European Senate of Honour, a group of political and cultural figures from the European Union, is to be presented by Sir Edward Heath, the former British prime minister, in Antwerp on Saturday.

Death of banker who helped shape West Germany

The career of Hermann Josef Abs was one of the most brilliant of the century – but marred by his close links to the Third Reich

Hermann Josef Abs, who died at the weekend aged 92, personified both the triumphs and some of the problems of German business during the past 60 years.

During his post-war heyday as head of Deutsche Bank, the country's largest bank, Mr Abs won renown as the quintessential German banker, using his network of directorships and influence to play a significant role in rebuilding the West German economy. A man whose mild appearance belied his capacity for hard work and *occasional ruthlessness*, Mr Abs stood for many years at the centre of corporate Germany.

Aged only 36, he became a member of the Deutsche Bank management board in 1938 – a position in which he stayed throughout the second world war. He remained Deutsche Bank's honorary chairman up to his death. Not least because of his war-time role, he ranked among the most controversial bankers of the century – as well as one of the most outstanding.

Abs was the chairman of Deutsche Bank's management board between 1957 and 1967, and headed the supervisory board for a subsequent decade until 1976. The influence of Deutsche Bank and the country's other big universal banks on Germany's corporate and financial life has been modified since Abs ceased to play an active role in Deutsche Bank's affairs. In an increasingly integrated Europe, the banks' domination of the securities industry and their strong corporate links now look less pronounced than in the immediate post-war period.

Deutsche Bank none the less retains a pivotal position in the German economy – a tribute to the capacity of Abs and his contemporaries to rebuild the country's big banks after the war along the lines of traditions laid down when they were established in the 1870s.

One of Germany's post-war traditions is that Deutsche Bank has periodically attracted praise and vilification in roughly equal measure. Abs, once termed by David Rockefeller "the world's leading banker", was also labelled a "Richelieu": he was frequently exposed to criticism that he enjoyed too much power for Germany's own good. Whatever may be said against the traditional German system of universal banks – combining roles as lenders, traders of securities and long-term share owners – it has achieved an accomplished track record stretching back more than a century.

By allowing banks and industry to build up and extend long-term relationships, the system that Abs helped restore after the war allowed West Germany for a long time to overcome short-term economic vicissitudes with greater success than most of its European trading partners. That system is now being put to a crucial test as a result of the trials of German unification.

Virtually throughout his career, Abs followed a steeply rising path. He was born into a comfortably-off Catholic family in Bonn on October 15 1901. After a false start on a quickly abandoned university law course, he turned to banking. His apprenticeship took him to London, Paris, Amsterdam and the Americas.

In 1935, at the age of 34, he became a partner in a well-known Berlin private bank, Delbrück, Schickler & Co. Within three years he joined Deutsche Bank – at the time, a frontline institution, but not yet the biggest in Germany.

His more senior German colleagues recognised early Abs' capacity and judgment in international banking matters. One of his pre-war accomplishments was to help represent Germany at negotiations to freeze the banks' foreign debts. In view of his intelligence, sardonicism and Catholic background, Abs was regarded with hostility by the more rabid members of the Nazi party. He was never a party member. But throughout the war he remained close to some of the technocrats running parts of the Nazi economy. As a professional associate of Walter Funk, the Reichsbank president, he was a member until 1945 of the Reichsbank's advisory council.

He attracted praise and vilification in roughly equal measure, although he was once termed "the world's leading banker" by David Rockefeller

In spring 1945, as the war neared an end in Berlin, Abs left the German capital bound for Hamburg in a Karstadt department store delivery lorry crammed with Deutsche Bank files. After a short-lived appointment as an adviser to the British military government, he was imprisoned by the Americans for three months and was proposed in 1948 as the first head of the Bank Deutscher Länder, the nascent federal bank and the forerunner of the Bundesbank. He turned the job down – above all, it seems, because the US occupation authorities had made clear they would not have him.

Abs' ambivalent war-time activities remained controversial to his death. Unlike many Germans of his generation, Abs never claimed to have resisted Hitler. A man who was not imprisoned or hanged or shot by the Nazis cannot claim to have opposed Hitler, he once said. Deutsche Bank helped the Nazis confiscate Jewish property and assets in the late 1930s and 1940s as part of the Aryanisation laws. Abs had also been on the supervisory board of IG Farben, the conglomerate with a stake in the chemicals company that developed the Zyklon B gas used to kill millions of Jews in gas chambers.

Abs never claimed to have resisted Hitler. His bank helped the Nazis confiscate Jewish assets and he was on the board of IG Farben

After 1945, Abs helped some Jewish clients who had escaped the death camps to recover compensation from the Bonn government. But he also had to challenge in a German court assertions made in a 1970 book that he had participated in forced sales and expropriation of Jewish property. The court found none of the book's accusations valid.

In 1983, as a result of criticism of his pre-1945 activities, Abs suffered the ignominy of being put on a US government watch-list of undesirable aliens, and was officially barred from entering the US. However, this did not, according to the Deutsche Bank, prevent him from making periodic US trips.

Abs' real post-war career began in 1953 when, in a milestone marking West Germany's reintegration into the community of nations, he negotiated the London agreement restructuring Germany's foreign indebtedness.

In a step which freed Germany from the burden of reparations that had blemished the survival chances of the Weimar Republic, Germany's debts were written down and allowed to be repaid between 1953 and 1983 – an accord that became a model for many subsequent rescheduling agreements. Abs was also appointed head of Kreditanstalt für Wiederaufbau, the German reconstruction bank that channelled assistance from the Marshall Plan to West Germany's war-damaged economy.

Abs went on to head the southern German group of the three banks into which the allies had split Deutsche Bank. There he engineered the reunification of the three successors, becoming head of the reconstituted Deutsche Bank's executive board in 1957. During this time, Abs build up his close relationship with Konrad Adenauer, the first West German chancellor, in office between 1949 and 1963 – a fellow Rhinelander, sharing Abs' mordant wit and his taste for power. Abs was once asked whether the rumour was true that the "old man" had once asked him to become foreign minister. Abs' oblique reply was: "When Adenauer really wanted something, he didn't ask you – he told you."

Abs' was fluent in three languages and had a working knowledge of three more. He spoke the clipped, sometimes slightly archaic English of a country squire – gentle in tone, acid in content. His capacity for work was legendary. He claimed that, for weeks on end, he could work every day – habitually at a stand-up desk – from 8am until midnight.

On top of this, he found time to collect French Impressionists and to head committees running Beethoven's birthplace in Bonn and Goethe's in Frankfurt.

If Abs' voice was conservative, it was also that of a classic banking paternalist. One of his recurring themes was that business must serve the community. A much-repeated aphorism was that profits were no end in themselves; to conduct business for profit alone would be like living only to breathe. Society would tolerate private business only if it could prove that profits for the enterprise created benefits for society.

That may be dismissed as German corporatism, yet Abs was no particular friend of the German laws giving trade unions and workers' representatives a voice in management. He thought management methods needed to change periodically to give all employees an interest in their company.

As early as the 1950s he warned that currencies should not be kept strong mainly by high interest rates. He tried – and failed – to use his influence with the Bonn government in 1961 to 1969 to prevent the two 1960s D-Mark revaluations – steps that he viewed as harmful to Germany's export-oriented industry.

By 1970, mindful of the requirement for durable European monetary arrangements, he was talking of the need for a European central bank.

His experience of the Third Reich explained part of Abs' caution over expanding Deutsche Bank into foreign countries. He believed that co-operation with foreign banks, rather than outright takeovers, marked the most appropriate course.

As memories of war receded and a new generation took over the helm, Deutsche Bank's policy became more adventurous.

The most dramatic international move came at the end of 1989 when Deutsche Bank bought the UK's Morgan Grenfell for £950m, much increasing its clout in areas such as international mergers and acquisitions. The bank justified the move in the sort of understated terms much used by Abs: Deutsche Bank could learn much about investment banking from its new London subsidiary.

At the peak during the post-war period, Abs was a member of 24 supervisory boards in Germany – so many that a law was passed in 1965 limiting bankers' board appointments. The two-tier system of management and supervisory board was and is the foundation upon which bank influence over industrial and other concerns is based.

In the 1960s, Abs teamed up with Professor Karl Schiller, the Social Democratic economics minister, to use his prestige and contacts to devise a network of warranties which saved the Krupp concern from almost certain bankruptcy. He also helped to engineer the transaction in the 1970s by which Kuwait bought a stake in Daimler-Benz from the Flick family when it lost interest in controlling the star performer of German industry. In the post-Abs era even some Deutsche Bank directors have recognised that the traditional system may be a bit too cosy, forecasting that, eventually, the banks will run down their shareholdings in industry.

Deutsche Bank executives still, however, are thought to hold around 140 seats on supervisory boards around the country.

During his great days Abs was probably as popular as it is possible for any banker to be. Towards the end of his life, he did not, however, hold either politicians or the great majority of his compatriots in great regard. He believed the exaggerated demand for social welfare in West Germany's comfortable, consensus society was a severe hindrance to economic dynamism.

As West Germany approached the challenge of unification, Abs, in crisply-delivered interviews at the end of the 1980s, liked to berate the West Germans' "inflexibility" and voice doubt about their capacity for hard work. "They want to work less and have more free time" was one of his complaints.

In his latter years, as the world hummed around him, Abs plainly did not enjoy having an inordinate amount of time on his hands. If he was faintly disdainful of modern Germans, and sometimes appeared slightly too pleased with himself, there was (to adapt a saying of Churchill) some excuse. He had a considerable amount to be pleased about.

Associated Press

Abs: stood for many years at centre stage of corporate Germany as the head of Deutsche Bank

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Peace hopes raised by Arafat and Peres

By Julian Ozanne in Jerusalem

Expectations of a crucial advance in peace talks between Israel and the Palestine Liberation Organisation were raised last night as Mr Shimon Peres, Israeli foreign minister, and Mr Yassir Arafat, PLO chairman, prepared to meet in Cairo.

Throughout the day the meeting was in doubt as Mr Peres met senior Israeli army officers who have expressed their reservations aboutsecurity concessions to the PLO.

An extra layer of uncertainty was provided by Mr Arafat, who earlier insisted he would not go to Cairo unless Mr Peres had the authority to sign a final agreement on all the outstanding security issues.

But Mr Saeed Kamal, PLO ambassador to Cairo, said Mr Arafat would arrive in Cairo last night because Mr Peres was coming "with instructions from the Israeli Prime Minister Yitzhak (Rabin) to put an end to procrastination and delay".

Mr Arafat was expected first to meet President Hosni Mubarak of Egypt who exerted pressure on the PLO leader to attend the talks.

For the past week, Mr Arafat has reiterated he is ready to sign a draft agreement on security as negotiated during a meeting with Mr Peres in Davos, Switzerland, last week.

The agreement covered the outstanding obstacles between the two sides on long-delayed implementation of Palestinian self-rule in the Gaza Strip and West Bank area of Jericho, including the most sensitive issues of control over border crossings and security for Jewish settlers.

But since the Peres-Arafat meeting, objections have been raised against the draft agreement by senior officials of the Israeli army and Mr Rabin.

While denying he is at loggerheads with the Israeli army, Mr Peres has been publicly stressing the need for Israel to understand the Palestinian perception of the problems and assuage deep-rooted Palestinian suspicions.

Mr Ahmed Tibi, political adviser to Mr Arafat in the Israeli-occupied Palestinian territories, said after meeting Mr Peres on Sunday that an agreement would be finalised in Cairo.

Mr Kamal said yesterday: "We hope to be able to break the vicious cycle which the negotiations have been stuck in, so that things will stabilise over the next few weeks to formulate the clauses of the agreement one by one."

Israeli officials cautioned that the Cairo talks might not produce a signed agreement unless there was considerable flexibility on Mr Arafat's part to meet the objections put forward by the army, particularly over control on border crossings and roads between Israel and the settlements in Gaza.

Mr Rabin has recently insisted he will only formally sign a comprehensive agreement with Mr Arafat to begin Israeli withdrawal from Gaza-Jericho. According to Mr Rabin, the comprehensive agreement must include all outstanding issues between the two sides, including security, the responsibility of the Palestinian police force, and the future economic relations between the two economies.

Officials said that if things went well in Cairo, Mr Arafat and Mr Peres might initial an agreement on security issues, but a formal Rabin-Arafat signing would have to wait a further two to three weeks for economic and other issues to be finalised in Paris and Taba, Egypt.

Arafat (left) and Peres: talks in Cairo could mark a breakthrough in the long haul to peace

● *Israeli jets yesterday bombed south Lebanon twice in retaliation for attacks by pro-Iranian guerrillas which left three Israeli soldiers dead and four wounded.*

The attack on Israeli forces in Israel's self-declared security zone is the bloodiest such raid in six months and marks the continual escalation of violence in south Lebanon.

Attacks sour South African talks

Talks between the South African government, the African National Congress and right-wing groups demanding constitutional change continued last night, against a background of sabotage attacks against railways, power lines and ANC offices, writes Patti Waldmeir in Johannesburg.

Police said over 40 attacks have been carried out in ultraconservative areas of the Orange Free State and western Transvaal since late December. Eugene Terre'blanche, the white supremacist leader, has warned of more explosions.

Prospects for the talks looked bleak last night, with the Zulu-based Inkatha Freedom party central committee rejecting a compromise proposed by the ANC and government last week. Inkatha said it did not offer sufficient fiscal and regional autonomy to warrant its participation in the elections.

Keidanren chief

The Keidanren, Japan's leading business federation, yesterday confirmed that its next chairman would be Mr Shoichiro Toyoda, chairman of the car group Toyota, writes William Dawkins in Tokyo.

Mr Toyoda, 68, who has spent nearly all his life in the family car company, is a vigorous opponent of US demands for numerically-measured increases in market shares of imported goods. The car industry is one of the most sensitive parts of the present US-Japan trade talks. He will succeed the current chairman, Mr Gaishi Hiraiwa, 79, at the Keidanren's annual general meeting in late May.

Jordan's relief

Jordan has won slight relief on its external debts to Japan following agreement between the two sides which will add $14.1m (£9.4m) of principal and interest to $87.3m in debts to Japan which have already been rescheduled, writes James Whittington in Amman.

This will not affect most of Jordan's $1.3bn mainly official debt to Japan, for which repayment will be discussed in the next round talks with the Paris Club of official creditors in late March.

The terms are the same as for the rescheduled $87.3m of interest and principal agreed in June 1992. There is a grace period of nine years for official loans and seven years for commercial loans backed by the Japanese government.

Jordan's total external debt is around $6.8bn, or 140 per cent of gross domestic product, after $673m of repayments on principal and interest in 1993.

African obsequies

French and African leaders yesterday bade farewell to President Félix Houphouet-Boigny of Ivory Coast, whose death marks the eclipse of France's special relationship with its former colonies, Reuter reports from Yamoussoukro. Huge crowds gathered at the basilica in Yamoussoukro where the requiem mass began two hours late. French President François Mitterrand arrived late, as did many of the African leaders who came to pay their last respects.

Uganda 'demob'

Uganda's President Yoweri Museveni has said his cash-strapped government will push ahead with a demobilisation exercise started last year and retire some 10,000 more soldiers this year, Reuter reports from Kampala.

The aim is to halve Uganda's 80,000-strong army by the end of this year. Pushed by western donors, who underwrite annual aid of up to $800m to the east African country, Uganda retired 20,000 soldiers at the end of 1992.

Manila loan

The World Bank has extended financing worth $211m for an electric-power project in the central Philippines, José Galang reports from Manila.

The project involves the construction of a 200MW geothermal power plant on Leyte island, and laying underground electric cables connecting the facility to Cebu Island near by.

The project is estimated to cost $458.9m, with the World Bank providing nearly half the financing. Another $174.7m is expected to be raised from private-sector investors and financing institutions under build-own-transfer arrangements with the Philippine government.

Central Asian republics look west for investment

By Steve LeVine in Alma-Ata

Leaders of central Asian republics have been sending signals that they are serious about establishing a stable, friendly environment for economic development. The International Monetary Fund has put its name behind two of the republics, issuing credit to Kazakhstan and Kyrgyzstan, and is negotiating with Uzbekistan.

An increasing number of investors have been bypassing Russia, Ukraine and the Baltic states for what they perceive to be better opportunities in central Asia, especially in Kazakhstan. This shift has occurred in tandem with Russia's demise as the economic crossroads and clearing house for the 14 ex-Soviet republics.

Uzbekistan's recent and sudden conversion to free market policies has been greeted with interest, and some scepticism, since President Islam Karimov has watered down or failed to implement previous reforms.

The Uzbek programme, announced on January 23 by presidential decree, promises for the first time to auction off state enterprises publicly; foreigners may bid. The decree also enacts a five-year tax holiday for manufacturers established under more than 50 per cent foreign ownership, and phases out import duties in July 1995.

Since the break-up of the Soviet Union two years ago, virtually no western-style privatisation has taken place in Uzbekistan, which is rich in gold and produces a huge cotton crop. Uzbekistan has taken the route of "collectivisation", the transfer of enterprises to their employees in fixed-price shares.

Analysts are taking this policy announcement more seriously because of the trend in other central Asian republics. Mr Karimov is watching his regional rival, Kazakhstan, outpacing Uzbekistan's economic progress, while his own republic has been mired in chaos.

The Kazakh president, Mr Nursultan Nazarbayev, last week announced an economic reform programme that goes even further then Uzbekistan's. It freed prices on consumer goods on January 1, set a 1994 budget deficit target of 4 per cent of GNP, and froze state salaries, a risky step in the conservative republic.

Kazakhstan is attracting attention primarily because of its tremendous deposits of oil and natural gas. But Mr Nazarbayev has also embarked on what ranks as among the ex-Soviet Union's most ambitious privatisation programmes.

Last year, Philip Morris became the first private owner of a large Kazakhstan enterprise, paying $313m (£208.6m) for a big cigarette factory and tobacco farms in the capital, Alma-Ata. Now, the government has issued a list of 38 more state-owned enterprises, some employing up to 40,000 people, for auctioning to the foreign bidders.

The list includes some long-shots, such as Alma-Ata's central market, but for the first time it allows foreigners to buy metals facilities such as an aluminium plant in the northern city of Pavlodar and a lead and zinc plant in Taldy-Korgan. Later, the government says, it will auction about 7,500 state enterprises to Kazakh citizens under a coupon system.

The privatisation programme has impressed westerners who have witnessed the frustration of trying to get started in Russia. "If you are trying to privatise an enterprise in Russia, a different ministry is passing a new law every day saying you can't do it. In Kazakhstan, you know who to deal with, and they are behind privatisation at the top," said a western business consultant in Alm-Ata. "It's very centralised."

In Kyrgyzstan, President Asghar Akayev, frustrated by parliamentary and bureaucratic conservatives, recently obtained more authority to pursue his reformist programme. Kyrgyz voters endorsed Mr Akayev with a 96 per cent approval rating in a national referendum, and he has said he intends to use the result to push ahead with structural reforms and privatisation.

Even if the reforms are only partially put into practice, they reflect a greater acknowledgment in the region that the Soviet days are over.

Media groups hit problems in drive to print in India

By Stefan Wagstyl in New Delhi

Plans by foreign media groups to invest in India have run into political controversy and legal argument. The Financial Times and Time magazine of the US have submitted investment proposals to the Indian government, in the belief economic liberalisation will soon extend to newspaper and magazine publishing.

The FT plans to publish a business daily in partnership with the Ananda Bazar Patrika Group, a Calcutta-based publishing house, and Time is proposing printing an Indian edition in collaboration with Time and Living Media, publisher of India Today, India's leading news magazine. Other publications which have considered printing in India include the International Herald Tribune.

Foreign publishers and their Indian partners believe the Indian market offers big opportunities. But before they can invest, they must persuade the government to lift a ban on foreign newspapers, magazines and news agencies imposed in 1956 by Mr Jawarhalal Nehru, India's first premier, who believed the country needed protecting from foreign influences.

With satellite TV beaming everything from BBC News to Madonna concerts into millions of homes, many Indians say Mr Nehru's restrictions look increasingly obsolete. Reuters, the UK news agency, has been given permission to distribute a limited service in India. A recent survey by Business India magazine showed 65 per cent of those polled supported the entry of foreign newspapers.

English-language newspapers account for only about 60 of India's 350 dailies, but dominate the reading of the country's political and business elite. The foreign groups' plans have provoked sharp differences of opinion in the newspaper industry. Last month, the All-India Newspaper Editors' Conference warned the foreign press's "invasion" would be an "infringement of the fundamental rights and constitutional guarantees provided to Indian citizens".

The Press Council, the industry's watchdog, stands by a demand it made in 1992 that government decisions on amending Mr Nehru's ban should be postponed for "three to five years". But some editors have spoken out in favour of foreign investment, including Mr H.K. Dua, editor of the Hindustan Times daily, who told a media conference last week: "We must pull ourselves up instead of bemoaning the entry of others into the market."

The overseas groups' plans have some strong supporters among politicians, notably Mr Manmohan Singh, finance minister, who believes India will benefit from greater access to overseas news. But others are more cautious. Mr Pran Chopra, a former newspaper editor who favours the entry of foreign publications, says: "Many politicians fear that [by opening the market] they might cause a political storm for little benefit." Mr Chopra believes Premier P.V. Narasimha Rao will take time to up his mind, but the spread of satellite TV will make the ban on printed publications meaningless.

Foreign publishers see big opportunities, but first they must persuade the government to lift a long-standing ban

Much of the controversy centres on the Financial Times. The FT would have a 50.1 per cent stake in the venture, but only two out of 500 staff would be sent from the FT. Mr David Bell, chief executive of the FT, says: "The paper will be Indian-edited and Indian-managed." Ananda Bazar, a family-owned group run by Mr Aveek Sarkar, would merge into the venture its existing business paper, Business Standard.

The new paper would compete with the Economic Times, the market leader, controlled by the Delhi-based Jain family, whose flagship is the Times of India, the premier English-language daily.

The FT and the Times of India group are involved in court battles over rights to the Financial Times name. The FT registered the name with the trade marks registrar in 1987. But the Times of India group registered the same name two years later with the registrar of newspapers for India, a separate official body. The Times of India then started publishing papers sporadically with the name Financial Times.

The FT has challenged the Times of India's right to publish a pink paper called the Financial Times. Individuals have filed cases in the high courts of Delhi, Allahabad and Bangalore challenging the foreign papers' rights to register their names in India. Lawyers for the FT have claimed in the Delhi High Court that these individuals are "a front" for the Times of India group. Mr Bell and Mr Ashok Jain, head of the Times of India group, declined to comment on the dispute. It will probably have to go to the Supreme Court.

Paul Abrahams on attempts to control a big part of rising healthcare costs

Japan tackles growing drugs bill

Japan's ministry of health and welfare has been afflicted by the global epidemic of rising healthcare costs. The problem this makes for budgets is particularly acute in Japan which has an ageing population and falling tax receipts. Whereas in 1990 only 11.7 per cent of the population was over 65 – the lowest proportion among the world's seven richest countries – by 2025 that figure will have more than doubled to nearly 24 per cent.

This ageing population and medical inflation running at about 7 per cent a year would be less serious if the Japanese economy was growing. But the exchequer is suffering from wilting tax receipts during the worst recession since the second world war.

"We don't know exactly what the ministry is going to do," says Ms Teruko Onoda, drugs analyst at Merrill Lynch, says. "But whatever it is will have to be drastic."

Japan's health and welfare ministry, like those elsewhere, has found the drugs bill a tempting target for savings. Medicines represent a particularly large target in Japan. Although pharmaceuticals account for 1.5 per cent of gross national product, they represent about 30 per cent of healthcare spending, far more than in western countries.

The ministry has adopted a two-prong strategy against the drugs bill, attacking both prices and demand. The ministry's long-term aim is to reduce spending on medicines from about 28 per cent of the Y24,340bn (£146bn) health bill to only 20 per cent, according to the Japan Pharmaceutical Manufacturers Association.

The ministry is continuing its policy of cutting prices every two years. But this year it has added "special" cuts for fast-growing products. Initial fears that the price of some drugs could be cut by as much as 30 per cent have not been realised, but these new cuts have nonetheless drawn an angry response from the industry.

Mr Jacques Racloz, president of Sandoz Yakuhin, the subsidiary of the Swiss group, said: "The special price cuts were an emotional reaction, triggered by politics. It's worrying because they're not based on the existing system and appears arbitrary. There's also a danger they could represent a precedent – each time a drug becomes successful, it could be hammered."

Under the every-other-year price cutting scheme introduced two years ago, drugs judged innovative would be allowed a premium over existing therapies of up to 30 per cent, while less innovative but still novel compounds would receive premiums of between 1.5 per cent and 4.5 per cent.

The industry was dismayed to discover the ministry's criteria were so strict that over the last decade only four or five drugs would have qualified for the full premium.

"We have to have more flexibility," said Mr Bryan Wright, Japan representative of the US Pharmaceutical Manufacturers Association. "There needs to be something between 30 per cent and the lower band. Otherwise there's little incentive to develop innovative products."

While the price cuts and controls on new products are designed to have an immediate impact, in the longer term, the ministry is trying to control demand for medicines. So far, the main methods, which have not proved particularly successful, are:

● Separating the prescribing and dispensing of medicines. A substantial proportion of hospitals' income comes through dispensing. Doctors negotiate discounts from wholesalers, but are reimbursed by the government at the full price. The more doctors prescribe, the higher their income. Between a third and a quarter of doctors' earnings depend on prescribing.

Discounts ending up in doctors' pockets may account for an astonishing Y1,000bn a year, according to one analyst. So far the ministry's efforts have made little impression. Only 15 per cent of hospitals have separated prescribing from dispensing of medicines and many of these are cheating by setting up new pharmacies next door.

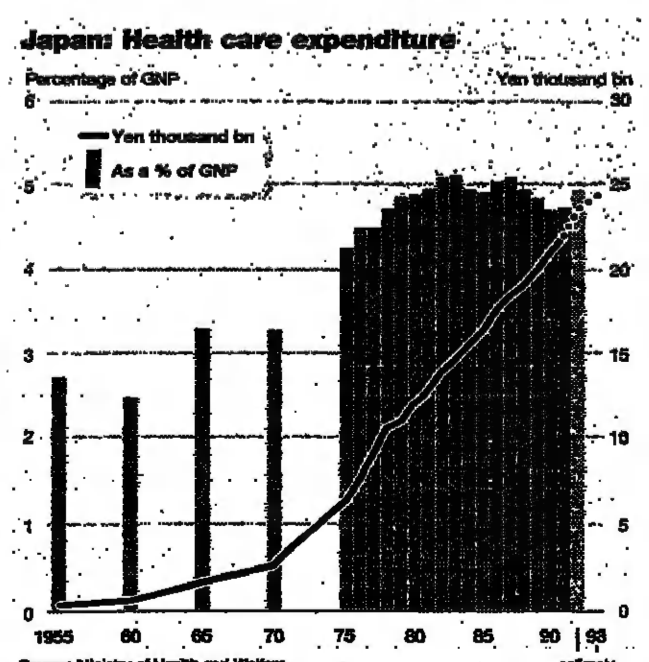
● Fixed price contracts for chronic care of the elderly. Hospitals are paid a fixed amount for treating certain conditions. The hospitals' margins therefore depend on keeping down costs. Some analysts believe this could lead to a large increase in the prescribing of cheap generic, non-patented, drugs. However, only 5 per cent of hospitals have adopted this system.

● Switching responsibility for negotiating discounts from the drugs manufacturers to the wholesalers. The theory is that wholesalers will be less inclined than pharmaceuticals companies to discount products. This should reduce doctors' margins on prescribing and so reduce volumes. The Japan Pharmaceutical Manufacturers Association estimates discounts narrowed from 23 per cent to 18 per cent, but have now risen back to about 20 per cent.

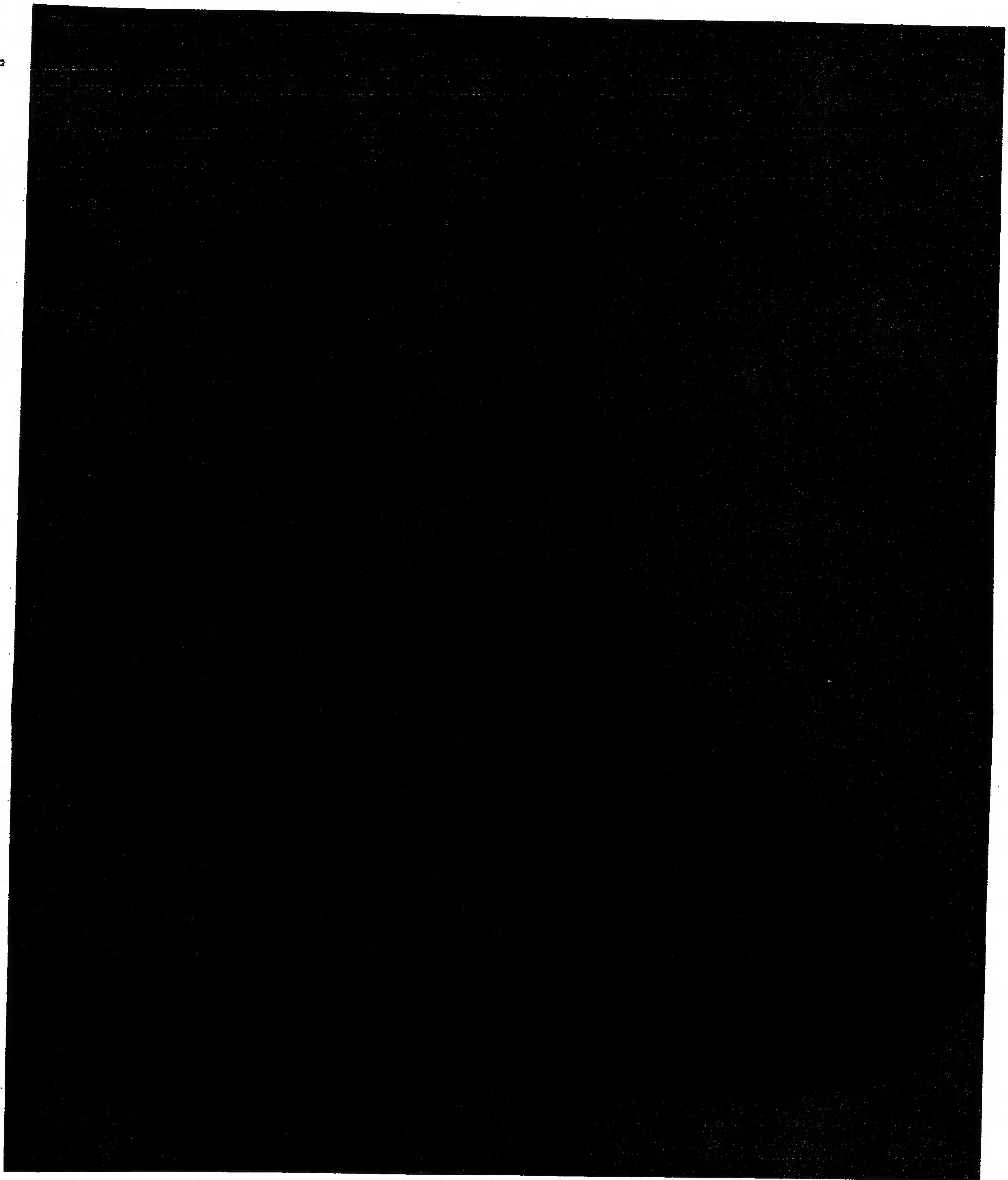
Even though the demand-side controls are yet to be fully effective, the ministry's efforts appear to be bearing fruit. By the middle of last year, data from IMS Japan, the market research group, showed growth of the drugs market over a 12-month moving period was only 3 per cent.

Nevertheless, the ministry's continuing battle to control spending is likely to intensify, slowing the growth of the Japanese drugs market further. For manufacturers the consequent pain may be hard to bear. Most analysts are predicting rationalisation.

Japan: Health care expenditure



Source: Ministry of Health and Welfare



Clinton budget brings back rosy scenario

It is fiscally responsible but the spending projections are implausibly optimistic, writes Michael Prowse

President Bill Clinton delivered a fiscally responsible budget yesterday, but the administration's projections of future spending trends look implausibly optimistic.

In an attempt to create room for increased investment in areas critical for American competitiveness, such as education and training, Mr Clinton is proposing a "hard freeze" on discretionary spending.

He envisages total discretionary spending rising from $550.1bn in fiscal 1994 to $554.4bn (£369.6bn) in fiscal 1999, in cash terms less than 1 per cent. And this is not to be achieved only through the continuing shrinkage of the defence budget, which declines 13 per cent over this period.

Mr Clinton plans a total increase in non-defence discretionary spending of only 9.9 per cent in cash terms over five years – a substantial cut in real terms given that inflation of 3.0-3.5 per cent a year is expected over this period. Few industrial countries have achieved this kind of restraint on domestic programmes. And there is little in US history to suggest it will be feasible: between 1989 and 1994, such spending rose 45 per cent in cash terms.

The proposed freeze is the only way Mr Clinton can achieve the deficit reduction he promised while also modestly increasing public investment. Spending on mandatory or entitlement programmes – such as healthcare and public-sector pensions – will continue to rise rapidly, crowding out other expenditure. Mandatory spending will rise 4.4 per cent in the coming year, against less than 1 per cent for non-defence discretionary spending. Over the next five years mandatory spending is projected to rise from $730.4bn to $1,020.5bn, or 40 per cent.

It is optimism on spending that permits Mr Clinton to project sharp declines in federal borrowing. In spite of last year's tax increases on the wealthy, total receipts as a percentage of gross domestic product are projected to decline slightly over the next five years – from 18.8 per cent of GDP to 18.6 per cent. Spending, however, is expected to fall from 22.3 per cent of GDP to 20.9 per cent.

The stress on fiscal discipline in Mr Clinton's budget is ostensibly balanced by a commitment to higher public investment as a means of boosting growth and improving the prospects of disadvantaged groups. But both elements of the equation are exaggerated

The deficit is expected to decline from $234.5bn (3.5 per cent of GDP) in fiscal 1994 to a trough of $173.1bn in fiscal 1996 (2.3 per cent of GDP). It then begins to creep higher, exceeding $200bn by fiscal 1999.

None of these figures allows for the impact of this year's main legislative priority – reform of healthcare, a sector that accounts for 14 per cent of GDP. Mr Clinton's plan would extend health cover to uninsured Americans (15 per cent of the population) and guarantee a generous package of benefits for everyone.

According to White House estimates these additional costs would be largely offset by parallel measures to reduce the rate of growth of spending – such as the creation of large purchasing co-operatives and caps on growth in private-sector insurance premiums.

The administration estimates that if Mr Clinton's health plan were implemented, mandatory spending would grow by 45 per cent over five years, a little faster than the 40 per cent projected without reform. With the plan, mandatory spending would rise from 11 per cent of GDP today to 12 per cent in fiscal 1999; without it, mandatory spending would rise to 11.7 per cent.

The White House figures again look optimistic. But any calculations are hypothetical because it appears unlikely that Mr Clinton's health plan will be enacted in its original form. Congress seems likely to favour less ambitious reforms which scale back the level of guaranteed health benefits but which also impose fewer direct controls on spending growth.

The stress on fiscal discipline in Mr Clinton's budget is ostensibly balanced by a commitment to higher public investment as a means of boosting growth and improving the prospects of disadvantaged groups. But both elements of the equation are exaggerated. The proposed axing of more than 100 programmes sounds impressive, but it will save only about $3bn in a $1,500bn budget. Congress, in any case, is unlikely to approve many of the cuts.

The investment agenda includes planned increases in spending on "workforce security" (improved access to skill training and job search), education (including an expansion of the pre-school Head Start programme), commercial technology, physical infrastructure and the environment.

Few will argue with this shift of priorities, but the scale of the investment effort falls far short of Mr Clinton's promises during the presidential election campaign. The president is asking Congress to approve an additional $13.7bn in spending this year on his main investment proposals. That represents less than 1 per cent of the budget. It is a change only at the margin.

Mr Clinton's claim to have dispensed with Republican "smoke and mirrors" in his economic forecast seems only partly justified. The White House is projecting steady economic growth of 2.5-3.0 per cent for the rest of the decade, reducing the jobless rate to 5.5 per cent, even though this would represent one of the longest unbroken business upswings on record. It assumes the Federal Reserve will allow consumer price inflation to creep higher – from 2.8 per cent last year to nearly 3.5 per cent by 1997.

The greatest optimism is reserved for interest rates. The White House expects three-month rates to remain 3.5 per cent or less throughout this year and, more surprising still, to average less than 4.5 per cent every year until 1999. The yield on 10-year bonds is assumed never to rise above 6 per cent. This is indeed a rosy scenario.

THE BUDGET'S ECONOMIC ASSUMPTIONS (CALENDAR YEARS)

	Actual 1992	Projections 1993	1994	1995	1996	1997	1998	1999
Gross Domestic Product * (Constant 1987 dollars)	3.9	2.3	3.0	2.7	2.7	2.6	2.6	2.5
Consumer Price Index *	3.1	2.8	3.0	3.2	3.3	3.4	3.4	3.4
Unemployment rate % ‡	7.3	6.7	6.4	6.0	5.8	5.6	5.5	5.5
Interest rates %								
91-day Treasury bills	3.5	3.0	3.4	3.8	4.1	4.4	4.4	4.4
10-year Treasury notes	7.0	5.9	5.8	5.8	5.8	5.8	5.8	5.8

* Per cent change, fourth quarter over fourth quarter ‡ Fourth quarter level; Pre-February 1994 basis

Defence outlay continues to lag behind inflation

By George Graham in Washington

US defence spending will rise by just 1.3 per cent to $252.2bn (£170bn) next year, the 10th straight year in which the US military budget has risen by less that the inflation rate.

The 1995 fiscal year budget is the first for which President Bill Clinton's Defence Department team has done more than tinker with existing military spending plans, and marks the implementation of the Bottom Up Review of force structure conducted last year under Mr Les Aspin, who handed over the defence secretary's job last week to Mr William Perry.

Mr Clinton's five-year plan now projects an absolute cut in defence spending to $243.4bn in 1996 and $240.2bn in 1997. Nominal increases in the next two years are to leave defence spending down to just 2.8 per cent of gross domestic product in 1999.

"It hasn't been this small since before World War II, when people were walking around training with broomsticks on their shoulders," a senior Pentagon official said.

Departmental budget planners have tried to walk a fine line between those on their left, who complain that they are still wasting money on Cold War-style defences, and those on their right, who fear the US military will be gutted by spending cuts.

The 1995 budget provides for a 4.9 per cent increase in the money available for operations and maintenance, as Pentagon officials are very eager to preserve the readiness of the smaller forces they will have at their disposal by allowing them to maintain high operating tempos. The increase in readiness spending is particularly marked for the army, where the average distance driven by each tank in a year, for example, will rise from 620 to 800 miles.

Military construction, down from $6.0bn to $5.0bn, and procurement, down by $1.2bn to $43.3bn, are to bear the brunt of spending cuts.

The budget preserves money for the development of the next generation of major weapon systems, such as the F-22 advanced tactical fighter to be introduced in the late-1990s, the RAH-66 Comanche armed reconnaissance helicopter and the navy's new attack submarine, for which the first order will be placed in 1998.

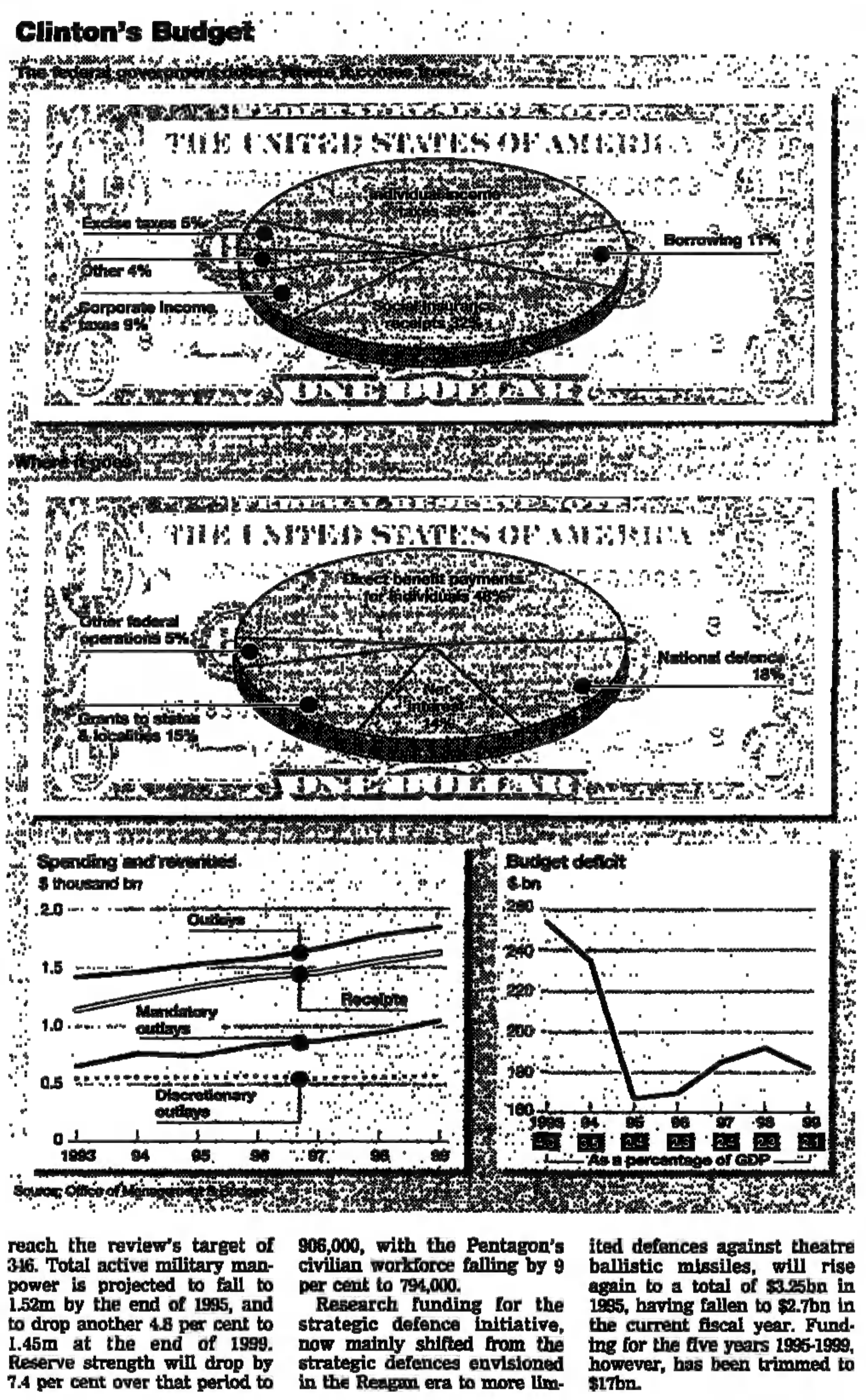
But it cancels the navy's A/F-X fighter development programme, as well as the remaining SH-60B, SH-60F and HH-60H helicopters it had planned to buy, ends purchases of the air force's F-16 fighter and cancels the Landsat satellite.

In all, the Department will buy just 127 aircraft in 1995, including 42 trainers and 60 utility helicopters, compared with 943 in 1985, the peak year of the Reagan defence build-up. It will buy six ships, compared with 29, no tanks, compared with 720, and 18 strategic missiles, compared with 48.

"We can live with that because we are living off the inventories we built up during the Cold War. At some point, we will have to start procuring again," a senior Pentagon official said.

By 1995, the Department expects to have moved to 13 active fighter wings and 11 active aircraft-carriers with one in reserve, as planned in the Bottom Up Review, but it will have to cut another two army divisions to reach the planned total of 10 and drop another 27 surface ships to reach the review's target of 346. Total active military manpower is projected to fall to 1.52m by the end of 1995, and to drop another 4.8 per cent to 1.45m at the end of 1999. Reserve strength will drop by 7.4 per cent over that period to 906,000, with the Pentagon's civilian workforce falling by 9 per cent to 794,000.

Research funding for the strategic defence initiative, now mainly shifted from the strategic defences envisioned in the Reagan era to more limited defences against theatre ballistic missiles, will rise again to a total of $3.25bn in 1995, having fallen to $2.7bn in the current fiscal year. Funding for the five years 1995-1999, however, has been trimmed to $17bn.



Source: Office of Management & Budget

Triple drive to create private sector jobs

By Nancy Dunne in Washington

The Clinton administration's theme, which runs through its 1995 budget, was written by President George Bush on his ill-fated mission to Japan in 1992: "Jobs, jobs, jobs."

Budget items which won increases were those believed most efficient in creating private sector jobs. About half of the nearly 2m US jobs created last year were in high-paying managerial and professional occupations.

To increase that rate, the administration has proposed a three-pronged workforce investment strategy.

- To help young job-seekers, it is requesting $300m (£202m) for an expansion of a model *school-to-work system*, designed to provide students with work experience integrated with classroom training.
- The administration also proposes spending $1.2bn in 1995 on the jobs corps, a comprehensive residential training and education programme for impoverished youth. It has also requested $100.5m to launch six new centres, increasing capacity to 62,500, and $30m to repair existing centres.
- A new $1.5bn jobs investment initiative would help the unemployed retrain and find new work at a network of upgraded, one-stop career centres, costing $250m. The current worker adjustment programmes are "rigid and ineffective", the budget says. The administration will consolidate, expand and improve these schemes in a Workforce Security programme, projected to serve 1.3m unemployed people per year.

The administration stresses jobs related to exports, which earn an average 20 per cent *more than other jobs – hence* its emphasis on trade and trade finance. The US Export-Import Bank will get $134m less next year for direct loans, but its budget for new loan guarantees rises from $10.1bn to $12.25bn.

The Small Business Administration is expected to guarantee up to $7bn in credits to compensate for cuts in lending by the commercial banks.

Despite recent criticism that the administration is creating an industrial policy by subsidising research and development, the Commerce Department's budget for advanced technology grants and manufacturing extension centres is more than doubling to $451m. There is $3.2bn (a 6 per cent increase) for science and engineering research, $67m for new technology investment, $451m (a 4 per cent increase) for health research, and $2.1bn for the redesigned space station.

Nine agencies this year propose to spend over $3bn for research and development in *manufacturing technologies*, a $159m (9 per cent) increase over last year. The High Performance Computing and Communications project, which funds programmes for more powerful computers, networks and software, will get $1.2bn.

Pledge to poorest nations

By George Graham

The US has pledged $100m (£67m) in its 1995 budget for the Enhanced Structural Adjustment Facility, the International Monetary Fund's subsidised loan account to help the poorest nations reform their economies.

If the pledge survives the budget's passage through Congress, it would leave Germany as the only main industrialised country not to have contributed to the new ESAF, which the IMF hopes to launch this spring in place of the almost exhausted fund it launched in 1987.

The US contribution will be paid to the subsidy account which allows the IMF to cut the interest rate it charges on ESAF loans to the minimal level of 0.5 per cent. The money will be paid up front, so it will be valued as a contribution of more than SDR100m (£108m), roughly the level that other countries had been asking for as a fair US share.

The overall US budget for international affairs will remain stagnant at $20.9bn, with aid to the states of the former Soviet Union roughly halved to $900m.

The administration's proposals to cut humanitarian assistance spending by $77m to $1.63bn, including a $37m cut in refugee aid, could run into criticism in Congress.

The aid budget proposes full payment of this year's $1.25bn slice of the US pledge to the International Development Association, the World Bank subsidised loan facility similar to the IMF's ESAF.

It also provides $87m to start clearing US arrears in payments to the multilateral development banks, including $20m of arrears to the African Development Fund.

The administration also proposes to restore the $70m US contribution to the capital of the European Bank for Reconstruction and Development, which was struck out of last year's budget amid the furore over the bank's lavish London headquarters.

LA quake 'set to cost insurers about $2.5bn'

By Richard Waters in New York

The Los Angeles earthquake last month is set to cost the insurance industry $2.5bn (£1.69bn), the third largest insured losses after hurricanes Andrew and Hugo, according to an insurance trade association estimate yesterday.

The estimate of losses, from Property Claims Services, is at the high end of other, less well-informed estimates in recent days. These have put the cost to insurers at anything from $1bn to $3bn.

The association's figures are compiled from information supplied by 30 insurance companies and an analysis of the association's database, which carries details of the level of property insurance cover in the affected area.

They are generally regarded in the insurance world as the most accurate picture available of the final cost of the earthquake.

According to the association, about a third of home-owners in the area, and a slightly higher proportion of businesses, have earthquake coverage.

The high cost of such insurance, and the large deductibles born by people with cover, has discouraged many from buying insurance.

The industry is anticipating about 230,000 claims as a result of the earthquake, many of them from causes other than direct shock damage, including damage by fire, explosion and broken glass.

If the association's estimate proves accurate, and if Congress approves the proposed $8.6bn federal relief plan for the area, then total outside help for California will reach about $11bn.

The rest of the earthquake's cost will be born by property owners or taxpayers in California.

California Governor Pete Wilson said last month that the total cost of the quake could be anywhere between $15bn and $30bn.

Hurricane Andrew, in southern Florida and the Gulf of Mexico in 1992, cost insurers $15.5bn; Hugo cost $4.2bn.

Talbott's Israel hurdle

Jurek Martin on a foreign policy hopeful's prospects

Mr Strobe Talbott may face tough questioning on his attitudes towards Israel as well as over his policy stance towards Russia when he appears before the Senate foreign relations committee today to be grilled about his qualifications to be deputy secretary of state.

There is no suggestion yet that his nomination is any jeopardy, but Mr Talbott felt the need last week to hold a special meeting with representatives of leading Jewish organisations to assure them of his good intentions.

Mr Mike McCurry, State Department spokesman, also addressed the question, noting that, as a journalist with Time magazine, Mr Talbott was "a provocative and interesting commentator", but adding that "he now has a responsibility to fulfil policies that represent the policies of this administration" and that he would not have been named deputy to Mr Warren Christopher if this were not the case.

So far only one obscure Republican congressman has called for him to be rejected and most of the criticism against him has come from conservative and strongly Zionist groups. Yesterday Mr Yossi Beilin, the Israeli deputy foreign minister, said these views did not square with his own government's.

Though Mr Talbott is not an expert in the Middle East, two columns, written nine years apart, have excited criticism. In 1981 he wrote that Israel was "well on its way to becoming not just a dubious asset but a downright liability to American security interests". In 1990, he wrote that the Likud party's claim to the occupied territories "does indeed have something in common" with Iraq's claim to Kuwait.

In one sense Mr Talbott is hoist on the petard of his profession as an author with a long paper trail. The writings of two previous nominees for high government office, Ms Lani Guinier and Mr Morton Halperin, proposed for the justice and defence departments respectively, offered their opponents voluminous, if often deliberately misconstrued, evidence of allegedly extreme or unpatriotic views.

Jewish sensitivities are also a constant in Washington.

One of the reasons offered, without much substantiation, by Mr Bobby Ray Inman for not taking the defence secretaryship were attacks on him by Mr William Safire, the New York Times columnist, brought about, according to Mr Inman, because of Mr Safire's suspicions he might be anti-Israeli.

Questions of anti-semitism have been given more recent point by the controversy involving Mr Louis Farrakhan's Nation of Islam, mainstream black political and religious leaders and the Anti-Defamation League of B'Nai Brith, the leading Jewish organisation.

Last week, Dr Farrakhan sacked an aide for making anti-semitic remarks, then promptly aligned himself with the same sentiments.

It had appeared that Mr Talbott, serving as ambassador-at-large to the former Soviet Union, was most vulnerable to criticism on the Russian front. Having first urged maximum reform effort, he interpreted December's Russian elections as proving a need for "less shock, more therapy", only to recant this in the light of President Bill Clinton's commitment in Moscow last month to "more reform and more therapy".

However, Mr Talbott clearly enjoys the confidence of President Clinton, whom he has known since their Oxford days 25 years ago, and of Mr Christopher, who has said it is time people of the president's generation rose to the top of foreign policy making.

HAPPY FAMILY: Costan Rican poll victor Figueres celebrates with wife and children Picture: Reuter

The narrow victor in Costa Rica's presidential elections said free market policies had impoverished the country. He vowed to tackle poverty and improve health and education services writes David Scanlan in San José.

In one of the closest presidential elections in the country's history, Mr José María Figueres, 39, of the left-of-centre National Liberation party, defeated Mr Miguel Angel Rodriguez, 54, of the ruling Social Christian Unity party on Sunday. The winner polled 49.7 per cent, just 2.2 percentage points ahead of his rival, according to preliminary official results.

"We've had enough of the neo-liberal policies that have impoverished Costa Rica," Mr Figueres told thousands of jubilant supporters at party headquarters in San José. He argued that the economic adjustment policies of outgoing President Rafael Angel Calderón had improved the economy, but at great social cost.

"We will govern for those who have had less and need more," said Mr Figueres, a former agriculture minister and graduate of Harvard University and West Point military academy in the US. The president-elect, who is the son of the popular ex-president José "Pepe" Figueres, will take office on May 8.

Mr Figueres said during the campaign he wanted to renegotiate agreements with the International Monetary Fund and the World Bank. But political analysts see little room for manoeuvre.

French group in Chinese water deal

Lyonnaise des Eaux-Dumez, the French industrial and utility group, and its Hong Kong-based partner, New World Development, have won a FFr1bn (£114m) contract to build a drinking water treatment plant in Guangzhou, according to a spokesman for the French company, John Ridding writes from Paris.

Sino-French, a joint venture between Lyonnaise des Eaux-Dumez and New World of China, will build, finance and operate the plant for 30 years. On completion, which is expected in 1996, the plant is expected to supply about 1m cubic metres of drinking water a day and provide about a quarter of the city's water needs.

The contract is the first significant commercial agreement for a French company since France and China moved to improve relations last month. France said in January that it would cease the sale of arms to Taiwan, as it had been urged by Beijing.

Thomson to update Australian radar

Thomson Radar Australia Corporation, part of France's Thomson-CSF electronics and defence group, yesterday clinched a A$176m (£84m) contract with Australia's Civil Aviation Authority to rebuild the nation's ageing air traffic control system, Nikki Tait reports from Sydney.

Venezuelan power contract awarded

A consortium of Westinghouse Electric and Raytheon Engineers & Constructors has won a $70m contract to supply Venezuela's first independent power project, Andrew Baxter writes from London.

The contract was awarded by Genevapca, a wholly-owned subsidiary of La Electricidad de Caracas. The 300MW power plant, which has a total value of $135m, will produce electricity and process steam for the Cardon refinery on the Paraguana peninsula.

Clinton seeks renewed hi-tech export curbs

By Nancy Dunne in Washington

The administration of President Bill Clinton this week is expected to ask Congress for a broad reauthorisation of its power to impose unilateral controls on the export of technology, equipment and products applicable for military purposes.

This move comes in spite of long-term pressure by US business lobbyists against unilateral controls, which they say fail to stop "rogue nations" from acquiring technology and equipment commonly available from other countries.

The Clinton administration has acted swiftly to decrease the level of computer technology requiring export licences. However, according to a new report by the influential private-sector Council on Competitiveness, "a lingering cold war mentality" still produces export controls which cost the US economy billions of dollars a year.

"If past practices continue, some analysts predict that the US could lose $30bn [£20bn] and 600,000 jobs a year by the mid 1990s," the council says.

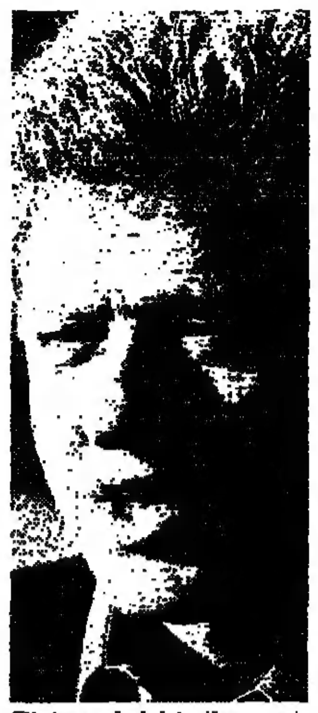
The council report, Economic Security: the Dollars$ and Sense of US Foreign Policy, also raises concerns about the imminent demise of the Paris-based Co-ordinating Committee for Multilateral Export Controls and the failure by the US and its allies to create a successor agency.

"Despite industry's concerns, State Department negotiators have indicated a great deal of uncertainty as to the ability of the US to achieve a new multilateral export regime, creating the spectre of a new entity that would actually leave the US with additional unilateral controls," the report says.

After failing to write new export control legislation last year, the administration is likely to ask Congress for a bill which gives the US State and Defence Departments review authority in export licensing provisions. Business groups have been urging Congress to concentrate authority in the Commerce Department, to limit the number of technologies and products to be controls, and to publish the countries for which controls are deemed necessary.

The council analysed the results of eight foreign policy decisions resulting in controls, which cost the US more than $6bn in exports and 120,000 jobs. In one case, the US became the only country to impose controls of exports of on-highway tractors to Iran, thus costing US business the sale of up to 10,000 tractors for each of the next five years.

"The export restrictions are having little impact on Iran, because US commercial on-highway tractors are readily replaceable, and are being replaced by European and Japanese tractors," it says.



Clinton: administration wants authority over export licences

World Bank urges Asian telecoms liberalisation

By Andrew Adonis

Radical liberalisation of national telecommunications regimes is essential to meet Asia's demand for improved communications, according to a World Bank discussion paper.

The paper calls for the break-up of existing monopolies and the licensing of competing telecommunications providers as "probably the best way" to meet the region's growing demand for telecoms services.

The discussion paper, written by Mr Peter Smith, a senior telecoms specialist at the World Bank, and Mr Gregory Staple, a consultant to the Bank, comes at a critical juncture in the development of policies for improving telecommunications in the Asia/Pacific region.

While the region's more advanced countries – notably Japan, Australia and New Zealand – have liberalised telecommunications rapidly in the past decade, the region's less developed countries have moved more cautiously.

Asia's low-income countries are estimated to have barely 25m phone lines for 2.8bn people. Programmes for expansion are a priority, with governments increasingly prepared to look beyond their state monopoly operator.

Several countries – notably Thailand – have pioneered "build, operate, transfer" projects, under which private operators, including overseas companies, are granted concessions to provide infrastrucure and services in specific areas.

Privatisation is also under consideration, notably in India, which could lead to one of the region's largest flotations in recent years.

Even China, which has until now resisted pressure from overseas operators willing to build networks, is considering licensing new entrants in a bid to meet its goal of providing 40m new lines by 2000.

The World Bank study describes pragmatic policies of that type as important but "at best a partial solution". "More important than this 'top down' approach are likely to be various 'bottom up' approaches, funded by a mix of public and private capital, involving new concessions to independent telephone companies."

It argues that radical liberalisation alone will enable low-income countries in the region to generate the estimated $90bn-$120bn needed for advanced switching and transmission facilities to underpin network modernisation.

The study, which is not official World Bank policy, also calls for improved regulatory regimes to allow inter-connection between new and existing networks and competition between operators.

OECD EXPORT CREDIT RATES

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for February 15 to March 14 1994 (January 15 - February 14 1994 in brackets).

D-Mark	6.24 (6.17)
Ecu	6.33 (6.56)
French franc	6.37 (6.50)
Guilder	
up to 5 years	6.00 (6.10)
5 to 8.5 years	6.30 (6.35)
more than 8.5 years	7.05 (7.00)
Italian lira	8.21 (8.58)
Yen	3.30 (3.30)
Peseta	8.80 (9.08)
Sterling	6.72 (6.71)
Swiss franc	5.24 (5.25)
US dollar for credits	
up to 5 years	5.46 (5.54)
5 to 8.5 years	6.09 (6.15)
more than 8.5 years	6.43 (6.48)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.85 per cent. It replaces the previous rate of 6.85 per cent. The SDR-based rate will again be subject to change on July 15 1994.

Barter proves best for business, Burma style

Victor Mallet on conducting trade with one of the world's most closed economies

Few business activities are as challenging as trading with Burma. The country is short of foreign exchange, is burdened with foreign debt payment arrears of about $1bn, and has an official exchange rate that values the local currency, the kyat, at 30 times its black market rate.

As if this were not enough, the military junta is regarded with such distaste by western governments because of its dismal human rights record that Burma – one of the world's poorest countries – has largely been denied foreign aid. Corruption is widespread.

The Burmese economy, however, has grown by about 5 or 6 per cent a year for the past couple of years; the generals have cautiously liberalised the economy, encouraged border trade with China, welcomed more tourists and courted foreign investors from Thailand, Singapore and further afield.

Barter, or countertrade, is playing an important role in this economic revival. Swapping products allows traders to bypass problems caused by the overvalued official kyat, and many Burmese and foreign import-export companies have found themselves reluctantly involved in barter deals.

While some government ministries have access to foreign exchange, most private Burmese companies are allowed to pay for imports only with money earned from their exports.

Furthermore, private traders must spend a quarter of their export earnings on imports deemed to be essential – such as palm oil – or convert a fifth of their dollars into kyat at the official rate, akin to throwing money down the drain.

"The trading side of things is not in accordance with normal business principles," said one Burmese partner in a Rangoon trading company. "There is no way you could make any money out of exporting anything from Burma officially. And the person exporting to Burma has to be prepared to receive strange products and sell them."

One of the most prominent barter arrangements in Burma is the deal between the ministry of forestry and Turnkey Contracts and Consultancy, a Singapore company, for construction of the recently opened International Business Centre, Rangoon's first modern office block.

Diplomats in Rangoon say the multi-million dollar prestige project, in which companies such as Sumitomo and Texaco have already provisionally booked space, was paid for in Burmese logs.

> The system is riddled with dangers, both for Burmese traders and for foreign exporters without export credit guarantees

Asked whether he was paid in cash or trees, Mr Bernard Kwek, managing director of the Singapore company, said "a bit of each" and described the deal as "pretty complicated".

But most barter trade involves Burma's 5,000 or so small import-export companies. Many of them have not been established long enough to amass foreign exchange reserves that would allow them to use a letter of credit to pay for imports.

In a typical deal a foreign company – often owned by one of the importer's Gino-Burmese relatives living in Hong Kong, Singapore or Bangkok – will send electronic goods, cement, machinery or pharmaceuticals to Burma on a "consignment" basis – in other words on credit.

The importer then sells the goods for kyat on the free market, uses the kyat to buy local products - rice, beans, pulses, teak or fish – and then exports these commodities, either directly to the foreign party or elsewhere to raise dollars to pay for the original imports.

Intense competition to buy limited quantities of Burmese commodities for export has pushed the prices of some Burmese products above their value on the international market. This problem (another way of looking at it is to say that the free-market kyat is undervalued) threatens the profits of both parties to a barter deal.

Another complication is that different imports to Burma command different effective exchange rates because some products are more scarce than others. A dollar's worth of palm oil, for instance, sells for about 90 kyat, whereas a dollar's worth of medical drugs can earn 180 kyat.

Traders have to know which products are being smuggled in from China and which imports are being bought by government enterprises with kyat at the official rate; in both cases the cost of the goods would undercut imports brought in legally by private companies for barter deals.

Burmese businessmen complain that barter trade allows foreigners to make money on both ends of a deal. A Taiwanese company, say, can sell trucks at a profit to Burma, receive payment in logs, and then sell the logs for an additional profit in Taiwan. "They are smarter businessmen," complained one Burmese trader.

But foreigners can lose money as well. Mr Pat Ferguson, a Scottish trader who has done business in Burma since the army crushed a pro-democracy uprising in 1988, claimed he had not been paid for a shipment of milk powder and palm oil sent to Burma on credit.

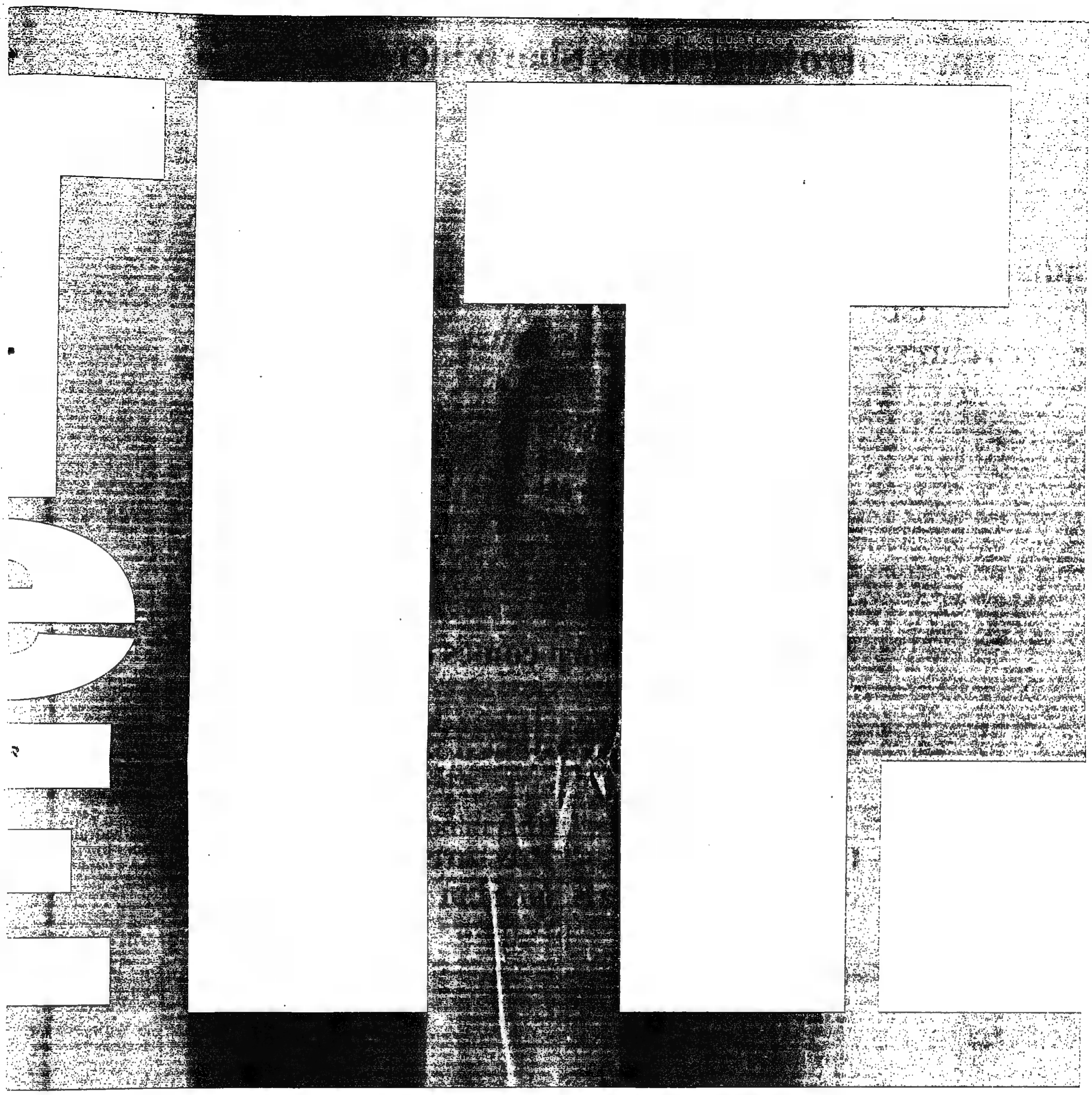
He has protested to the Burmese trade ministry and the British embassy in Rangoon. "I'm down $219,000," he said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.02.94 Pool purchase price £/MWh	Final Prices for Trading on 11.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.29	18.19	18.19
0100	18.74	26.13	27.58
0130	20.62	26.13	27.58
0200	19.87	26.13	27.58
0230	20.82	26.13	27.58
0300	18.74	26.13	27.58
0330	18.74	26.13	27.58
0400	17.22	24.14	25.56
0430	17.18	24.14	25.56
0500	17.17	18.14	18.14
0530	17.20	22.96	24.41
0600	17.32	22.96	24.41
0630	17.20	22.96	24.41
0700	19.26	23.22	24.67
0730	19.80	23.22	24.67
0800	19.80	24.43	25.88
0830	20.21	24.43	25.88
0900	20.22	24.43	25.88
0930	20.22	24.43	25.88
1000	20.22	33.79	35.24
1030	20.22	33.79	35.24
1100	20.22	33.79	35.24
1130	20.22	24.43	25.88
1200	20.22	24.43	25.88
1230	20.22	24.43	25.88
1300	20.22	24.43	25.88
1330	19.81	24.43	25.88
1400	19.80	23.46	24.90
1430	19.80	23.46	24.90
1500	19.80	23.46	24.90
1530	19.81	23.46	24.81
1600	20.27	25.33	26.78
1630	21.75	36.87	38.52
1700	25.80	38.48	40.51
1730	41.26	38.61	40.59
1800	41.22	38.00	39.88
1830	38.65	28.68	30.16
1900	23.14	26.76	28.22
1930	21.29	26.45	27.90
2000	21.16	23.24	24.69
2030	20.55	23.24	24.69
2100	19.80	23.22	24.67
2130	19.80	23.22	24.67
2200	18.41	23.22	24.67
2230	17.43	23.22	24.67
2300	17.19	18.11	18.11
2330	17.15	18.02	18.02
2400	17.15	18.01	18.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

GE
move
USE



Consumer borrowing shows sharp increase

By Graham Bowley

The upward trend in UK [redacted] borrowing [redacted] further in December, [redacted] that [redacted] increases in chancellor [redacted] the exchequer Kenneth [redacted] first Budget had no early impact [redacted].

Lending [redacted] by finance houses, through un[redacted] loans from building [redacted] and through bank credit cards [redacted] the [redacted] and Mastercard systems, [redacted] to [redacted] seasonally adjusted £443m in the month, up from £290m in November.

The [redacted] Statistical Office said that, apart [redacted] a high September figure, December's rise [redacted] the strongest [redacted] January [redacted].

[redacted] advanced to con[redacted] in December [redacted] £4.98bn, just £4m more than in November, but a record monthly high.

Finance houses boosted their net lending to £398m in December, the highest figure for five [redacted] spending on vehicles and consumer durables grew strongly. Net lending by building societies and [redacted] bank credit [redacted] was small.

Analysts [redacted] they were [redacted]prised by the strength of consumer borrowing. The City expected [redacted] lending figure [redacted] £290m.

The rise was in spite of [redacted] disappointing drop in retail [redacted] of [redacted] per cent in [redacted]ber. However, [redacted] adjustment [redacted] under[redacted] retail activity [redacted] end of last year and most analysts [redacted] that the trend in retail sales [redacted] still upwards.

Other figures published yesterday [redacted] picture of continued [redacted] growth. The Department [redacted] Environment reported [redacted] housing [redacted] in Britain [redacted] by a seasonally adjusted 8 per [redacted] in the three months to December compared with the previous three months.

A survey by accountancy firm Touche [redacted] that [redacted] in January [redacted] at their [redacted] level since December [redacted].

The Treasury said [redacted] figures [redacted] consistent [redacted] upward trend in consumer spending over the past year and [redacted] half.

[redacted] said net lending in [redacted] three months [redacted] December [redacted] levels [redacted] recession. In the three [redacted] to December net lending [redacted] from £919m in the previous three months. [redacted] more comprehensive net lending figures, [redacted] include bank overdrafts and personal loans, [redacted] a drop in the fourth quarter of 1993 to [redacted] from [redacted] in the previ[redacted] three months.

This reflected an inflated third quarter number caused by unusually high [redacted] lending by building [redacted].

Yesterday's figures [redacted] the findings [redacted] the Finance and Leasing Association which reported last week that [redacted]sumer [redacted] in December was [redacted] higher than in December [redacted].

Industrialists urge big rise in recycling

By Bronwen Maddox, Environment Correspondent

[redacted] UK [redacted] recycle [redacted] of its [redacted] packaging by [redacted] the century, [redacted] industrialists [redacted] night.

Meeting [redacted] target would [redacted] only 1p to [redacted] shopping bill "and will [redacted]fore have little inflationary effect", they [redacted] in [redacted] report yesterday [redacted] Mr John Gummer, environment secretary.

The [redacted] should also inciner[redacted] nearly [redacted] of its [redacted] packaging in schemes [redacted] energy, the report [redacted] the UK produced 7.3m [redacted] of [redacted] packaging, half household and half commercial but recycled [redacted] than [redacted] third.

The [redacted] of [redacted] leading [redacted] manufacturers – the Producer Responsibility Group – [redacted] been working [redacted] the plans [redacted] the autumn, when Mr Gummer [redacted] them to find [redacted] of recycling [redacted] half and three-quar[redacted] waste [redacted].

Mr Ed Falkman, chief execu[redacted] of [redacted] Management International, said the plans [redacted] probably [redacted] if the government really [redacted] serious". But he added that the delay in bringing in tougher [redacted] on landfills – [redacted] rubbish dumps – had kept landfill prices low, undermining [redacted] recycle.

Publication [redacted] the industry's [redacted] comes against a background [redacted] in the [redacted] scheme [redacted] recycling packaging, which [redacted] mounds [redacted] unwanted rubbish [redacted] across Germany and in neighbouring countries.

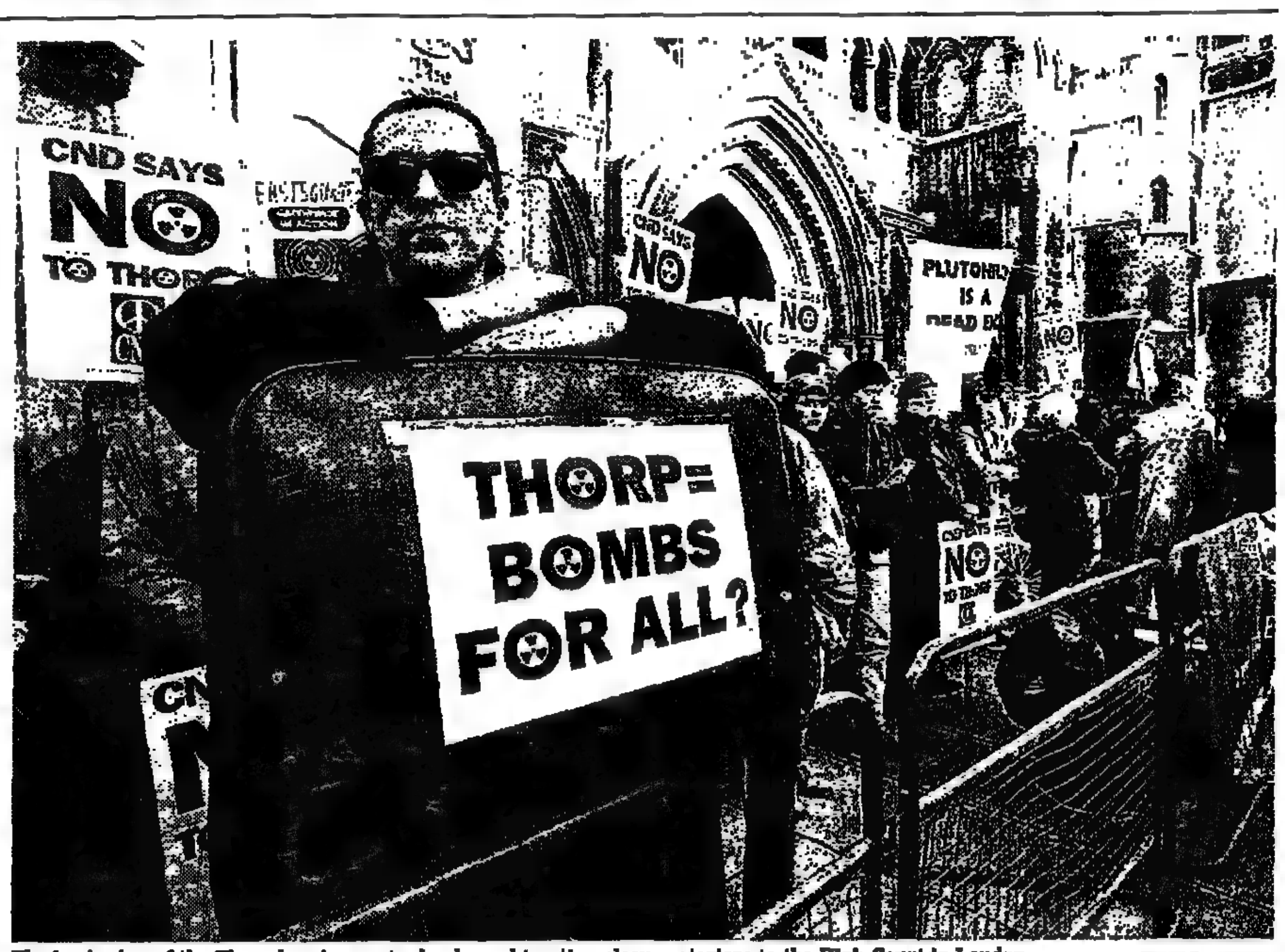
Under a new European Packaging Waste directive, set to go [redacted] the European Parlia[redacted] countries [redacted] recycle [redacted] per [redacted] and 45 per [redacted] of [redacted] waste within 5 years [redacted] the directive coming into [redacted]. In total, they [redacted] recover between 50 [redacted] cent and 65 per cent of packaging including "waste-to-energy" schemes.

Mr [redacted] Devereux of Inc[redacted] the packaging industry [redacted] association, [redacted] report [redacted] forward but [redacted] there [redacted] concerns about how it [redacted] financed.

The cost [redacted] pollution [redacted] becoming [redacted] financial burden *for shipowners, according* [redacted] by [redacted] UK Protection & Indemnity Club, which covers [redacted] for [redacted] and [redacted] *of 8,000 ships,* [redacted] about 25 per [redacted] ocean going fleet.

Pollution claims have *amounted to* [redacted] 1987, with more than 114 [redacted] costing $1.2m on [redacted]. During 1992, the [redacted] year for *which figures* [redacted] *available,* the number [redacted] pollution claims reported [redacted] increased [redacted], compared [redacted] over the *previous* [redacted] *years.*

Forty-five per cent of pollu[redacted] claims [redacted] tankers, according to the [redacted] latest analysis of major claims. But about one-third of claims resulted from spills of fuel oil, many of which were the result of human error.



The beginning of the Thorp hearing yesterday brought anti-nuclear protestors to the High Court in London [redacted] Tony [redacted]

Battle over Thorp [redacted] to court

The environmental [redacted] Greenpeace went to the [redacted] Court in [redacted] yesterday to try to halt operations at a [redacted] reprocessing plant.

Greenpeace is seeking to overturn a British government decision to start up the Thorp – Thermal Oxide Reprocessing Plant – complex in north-west England and [redacted] a public inquiry.

The High Court was told that the government's [redacted] to give the go-ahead for the Thorp plant was legally flawed by an "irrational" failure of Mr John Gummer, environment secretary, to hold [redacted] public inquiry.

Greenpeace [redacted] Lancashire County [redacted] launched a joint application [redacted] judicial [redacted] in an [redacted] to block [redacted] for the £2.8bn plant [redacted].

Mr Andrew Collins QC, [redacted] Greenpeace, told Mr Justice [redacted] "This is [redacted] most important radioactive discharge concern which there [redacted] has been or is ever likely to be – at least in [redacted] future".

As hundreds of anti-nuclear protesters from all [redacted] Britain and [redacted] outside [redacted] courts, Mr Collins urged the judge [redacted] the [redacted] led [redacted] Nuclear Fuels [redacted]ment approval for the plant [redacted] December.

Greenpeace and Lancashire [redacted] that no authorising authority could properly [redacted] proposed "dramatic [redacted]" in radioactive emissions, which could [redacted] deaths, [redacted] a public inquiry. BNF has rejected the allegations and insisted that Thorp will operate within acceptable [redacted] limits.

[redacted] plant [redacted] from continental Europe, [redacted] and [redacted] into recycled uranium and plutonium.

Thorp will produce 50 to 70 [redacted] plutonium in its first [redacted], adding [redacted] the [redacted] tonnes stockpiled worldwide.

[redacted] hearing is [redacted]ted to last five days.

Ill will over drug groups' cure-all

By Clive Cookson, Science Editor

[redacted] row over safety and efficacy has split the evening primrose oil business.

Efamol, [redacted] company that pioneered evening primrose oil as a [redacted] product – for [redacted]ing [redacted] wide range [redacted] from skin problems to premenstrual tension – [redacted] an attack on [redacted] rivals in a [redacted]ment headed "Women duped by many evening primrose oil manufacturers."

But [redacted] Seas, a Hanson subsidiary which is [redacted] UK market leader, [redacted] "We are [redacted] a once respected name should resort [redacted] mongering [redacted] prop up [redacted] sales."

Roche Consumer Health, part [redacted] the [redacted] pharmaceutical group, said: [redacted] are [redacted]mayed that Efamol [redacted] issued *such misleading, disparaging* [redacted] inaccurate [redacted] will [redacted] only to confuse [redacted]sumer."

The [redacted] market for evening primrose is worth about £200m a year.

Efamol – part of the Scotia pharmaceutical company – said its products [redacted] the only ones on the market "put through rigorous human [redacted]ing [redacted] clinical standards".

Rival products did not have the technology [redacted] extract gamma-linolenic acid (GLA) – the *active* [redacted] *in primrose* oils – so cleanly from the plant's [redacted] and preserve [redacted] in good condition in capsules *without harmful oxidation.*

Efamol also claims that some producers [redacted] GLA content of their capsules with oil from a different source, the borage plant. Efamol quoted three university studies which allegedly "show borage oil to be ineffective in [redacted] as compared [redacted] primrose oil and indicate that it may actually be dangerous".

Roche and Seven Seas denied [redacted] any [redacted] conclusions could be drawn from [redacted] studies.

More Lloyd's syndicates strike commutation deals

By Richard Lapper

Increasing numbers of syndicates [redacted] Lloyd's [redacted] Lon[redacted] are striking [redacted] with policyholders [redacted] probable [redacted] than their full potential value.

[redacted] suspect this practice, known as [redacted]tion, could harm [redacted] reputation [redacted] market [redacted]tionally [redacted] of [redacted] principle [redacted] meeting all [redacted] in full.

But [redacted] becoming increasingly common in [redacted] international insurance marketplace and it could help Lloyd's [redacted] manage potentially overwhelming lia[redacted] stemming from [redacted] and pollution [redacted].

[redacted] talking [redacted] and more people [redacted] doing [redacted] on casualty claims," [redacted] Mr [redacted] Keeling, deputy chairman of Lloyd's. "It is a [redacted] business."

Lloyd's, traditionally [redacted] important insurer of [redacted] liability risks, has been badly hit by a [redacted] of [redacted] awards, especially [redacted] and pollution. Lloyd's holds more [redacted] in [redacted] claims, although according [redacted] some [redacted] money will be [redacted] if the market is [redacted] fully protect [redacted].

Detailed figures showing the [redacted] commutation [redacted] some underwriters specialising in "long tail" liability business – in which claims may arise many years [redacted] original inception [redacted] the policy – are settling [redacted] to [redacted] per [redacted] of [redacted] claims in this fashion. Payments vary depending on the potential strength [redacted] claim.

Recently some syndicates [redacted] paid policyholders in [redacted] pollution [redacted] only [redacted] per dollar [redacted] claim.

In exchange [redacted] *cash now,* syndicates can sharply reduce their liabilities. Both insurer and policyholder can avoid *potentially crippling legal* [redacted]. Legal [redacted] some US liability cases can amount [redacted] a third [redacted] of a [redacted] claim.

Lloyd's [redacted] in [redacted] past [redacted] and policyholders' perceptions [redacted] weakness [redacted] policyholders much more willing to [redacted].

"Until [redacted] years ago [redacted] was not [redacted] Lloyd's [redacted] talk [redacted]tion," said Mr [redacted] Consultants, an actuarial firm. *However,* [redacted] "Lloyd's is becoming more commercially [redacted] like the rest [redacted] market."

Commuted claims [redacted] likely [redacted] increase if Lloyd's [redacted] in its project [redacted] establish NewCo, [redacted] reinsurance company, [redacted] be [redacted] initially by [redacted] Lloyd's Corporation.

Pressure mounts on Sinn Féin

By Michael Cassell in Belfast, Tim [redacted] in Dublin and Lionel Barber in [redacted]

The British and Irish governments yesterday mounted [redacted] fresh show [redacted] unity [redacted] up pressure on [redacted] Féin, the political wing [redacted] the IRA, [redacted] accept [redacted] Downing Street peace declaration.

Both governments are refusing to impose deadlines for a response from Sinn Féin, but it was suggested last night that a decision would be expected one [redacted] the [redacted] by the [redacted] Sinn Féin holds its annual conference in Dublin at the end of [redacted] month.

Despite some irritation in Dublin [redacted]ment's announced intention to [redacted] on with talks [redacted] finding a political settlement in Ulster, both [redacted] criticism [redacted] Sinn Féin and urged it [redacted] make up its mind.

*Mr Dick Spring, the Irish for*eign minister, said in [redacted] the Dublin government was looking for [redacted] from Sinn Féin's annual [redacted].

In Londonderry, [redacted] Mayhew, Northern Ireland [redacted]retary, [redacted] were "very impatient" and enough time had passed [redacted] a response [redacted].

[redacted] he might [redacted] ahead with inter-party [redacted] only without Sinn Féin, but [redacted] without [redacted] Rev Ian Paisley's [redacted] Unionist party, which opposes [redacted] Downing [redacted].

[redacted] Albert Reynolds, [redacted] Irish prime minister, speaking in Dublin, urged Sinn Féin to respond positively [redacted] that [redacted] declaration was "essentially an Irish peace initiative".

There could be [redacted] renegotiation [redacted] document "though it may eventually be transcended", [redacted].

London welcomes the Russians who came in from the cold

Gillian Tett [redacted] the impact of the big spenders from the former Soviet Union

In Davos, [redacted] Fyodorov, [redacted] former Russian finance minister, observes that "flats bought by [redacted] are helping the Lon[redacted] property market [redacted] much".

Nearby, [redacted] banker [redacted] that there is a "huge [redacted] coming out of Russia – [redacted] one [redacted] it is going".

Meanwhile on London's *Bond* [redacted] *an* [redacted] *jewel*ler is delighted by the surge it has [redacted] in Russian [redacted].

Two [redacted] after the collapse *of the Soviet* [redacted] new [redacted] Russian [redacted] person – and Russian money – is beginning [redacted] arrive in Western capitals. The scale [redacted] the capital flight [redacted] startling.

Last year [redacted] from the former [redacted] Union held by Western banks doubled [redacted] almost $18bn, with [redacted] $4.4bn of this held [redacted] London. Much [redacted] is accounted for by Russian businesses [redacted] banks but anecdotal [redacted] suggests [redacted] some significant fortunes held by [redacted] new [redacted] are hidden away in [redacted] accounts. In London [redacted] £50m [redacted] *property is* estimated [redacted] have [redacted] purchased by buyers from the for[redacted] Union in [redacted] *years, some by companies* and some by newly rich individuals.

Mr Nikolai Chertvertakov, a *former employee at* [redacted] Russian trade delegation in London and now a business consultant, said: "Many Russian businessmen are buying [redacted] in London. They [redacted] rest and to work." He said that London [redacted] a favoured haven for three reasons: the high value Russians attach to the English language and education system; its position as a financial centre; and [redacted] all, [redacted] proximity [redacted] the metal, mineral and oil exchanges – an [redacted] which has proved lucrative for both legal and illegal Russian exporters in the past.

Although the influx is tiny compared to the 1970s spending sprees [redacted] the Middle East's oil-rich it [redacted] presenting [redacted] an *opportunity* [redacted] *problem* [redacted] London financial institutions which fear [redacted] some [redacted] the money might be from [redacted] *than-reputable* [redacted].

Russians themselves are keen to minimise this threat, arguing that criminal money forms only [redacted] arriving in the [redacted] chaotic nature [redacted] the Russian legal system [redacted] that distinguishing the legal from the ille[redacted] is often extremely difficult.

Meanwhile, as bankers point out, most [redacted] the money arriving [redacted] London is doing so by locally legitimate means. [redacted]sian regulations stipulate that [redacted] can only open [redacted]shore [redacted] with the Russian Central Bank's permission, and restrict most Russian companies from exporting their hard-currency profits [redacted] investing them [redacted].

Russian businesses [redacted] individuals are usually able [redacted] cir[redacted] this by setting up [redacted] joint-venture [redacted] overseas com*pany subject* [redacted] *law.*

Mr Bill Newman, [redacted] general manager [redacted] Narodny Bank, a British bank whose *main shareholder is* [redacted]sian [redacted] bank, said: "There is an awful lot [redacted] money swirling around, but much comes out quite legally from [redacted] banks and businesses. The Latin American experience shows that when you [redacted] hyperinflation and [redacted] collapse in the exchange [redacted] you will see an [redacted] capital."

Either way, the trend has [redacted] some [redacted] agents in London celebrating. One [redacted] in the past [redacted] years more than 70 purchases [redacted] made in London by Russians – with [redacted] £750,000 and [redacted].

[redacted] agents say most [redacted] these sales are cash-based, using [redacted] funds from banks [redacted] companies headquartered [redacted] low-tax jurisdiction. [redacted] Benham Reeves, has [redacted] so impressed *by the* [redacted] *is* talking [redacted] bank based on the Isle of Man [redacted] establishing [redacted] special offshore payment sys[redacted].

[redacted] buyers have [redacted] Russian companies, operating as joint [redacted] out of London or an offshore [redacted]. The Russian Rosal trading group provides a typical example. A British-Russian joint venture based in [redacted] for [redacted] purposes, the company [redacted] in metals from the Siberian area and has bought properties in London for [redacted] employees.

Mr Vladimir Gusinsky, head of the Most [redacted] in Moscow, has bought property in London and Portugal, registered as company-owned [redacted] minimise his [redacted] bill.

Other Russians have been purchasing private properties more openly. Mr Nick Gilchrist, of [redacted] estate agents, which [redacted] sold about [redacted] properties [redacted] Russians around [redacted] £1m mark, recently [redacted] a £1m property [redacted] business family from St Petersburg.

Mr Gilchrist said: "They were wanting a family home because they are putting their daughter though further education here." He [redacted] that the family arrived with a beautiful [redacted] antiques.

Artwork and jewellery [redacted] proved to be a particularly popular purchase for some Rus[redacted]. A Swiss banker said: "We think [redacted] this [Russian] money must be coming out through jewellery and things like that."

Mr Ivan Samarin, Russian [redacted] Sotheby's, [redacted] that [redacted] five [redacted] ago "there would [redacted] been no Russian buyers at the [redacted] Rus[redacted] art, now there might be up [redacted] dozen". Mr Alexis Tiesenhausen, Christie's [redacted] expert, [redacted] although these cli[redacted] were financially as *sophis*[redacted] an [redacted] client, they [redacted] "extremely quiet and secretive".

Russians have [redacted] spending money on education. Oakley Hall [redacted] in Cirencester, Gloucestershire launched an advertising campaign in Russia [redacted]. It attracted [redacted] Russian pupils at [redacted] a year [redacted].

Fee payments [redacted] made in a range [redacted] hard currencies, [redacted] an "innovative" system, according [redacted] Mr Rawlinson [redacted] school's headmaster and a former merchant banker. One set of parents paid through both a German [redacted] American bank. And although Mr Rawlinson *has turned away* [redacted] *suspi*cious parent who arrived [redacted] the school [redacted] cash in hand, he is confident that the [redacted] can [redacted] with about 100 pupils projected to arrive [redacted] of British private schools next year under a [redacted] established by Mr [redacted].

Additional reporting [redacted] *Rodger in Zurich, Leyla Boulton* [redacted] *and Richard Lambert.*

Britain in brief

High Court bans Maxwell musical

A High Court injunction banning [redacted] *Musical,* the West End [redacted] about [redacted] *life of the* late Robert Maxwell, was won yesterday by Sir Nicholas Lyell QC, the attorney-general.

A judge granted the injunction preventing the show opening [redacted] of the "serious and substantial prejudice" it could [redacted] upon the trial [redacted] the late publisher's sons, Kevin and Ian, and [redacted] others charged with fraud [redacted] collapse [redacted] the Maxwell empire.

The [redacted] just [redacted] days [redacted] the [redacted] public preview of the musical, due [redacted] staged at London's [redacted]rion theatre.

[redacted] show's producer Mr Evan Steadman, a former chairman of [redacted] Maxwell's private companies, said afterwards: "Obviously I am bitterly disappointed, but [redacted] law and sadly [redacted] show must not go on".

Although Mr Steadman could appeal against the injunction, [redacted] admitted [redacted] night that [redacted] was unlikely.

The musical, which tells [redacted] story of [redacted] late tycoon through adapted [redacted] and Sullivan songs, had [redacted] scheduled [redacted] run for [redacted] *in London* [redacted] the US planned.

The injunction will [redacted] Mr Steadman, [redacted] backer of [redacted] show, [redacted]. All 3,700 people [redacted] have bought tickets would have their money refunded, he said.

N [redacted] deal [redacted] delayed

The UK and Norway [redacted] yesterday [redacted] are still some [redacted] ratifying an [redacted] extend use of the [redacted] pipeline to transport additional [redacted] Sea [redacted] into the UK.

Mr Tim Eggar, the UK energy minister, and Mr Jens Stoltenberg, his Norwegian counterpart, were unable to complete the negotiations which have [redacted] continuing for nearly [redacted] years.

The Norwegians want [redacted] extend use of the pipeline, which already pipes gas from the Frigg field to Scotland, to cover other Norwegian fields. The UK wants the new agreement to cover wider issues of trade in oil and gas between the two countries.

A number of major gas deals depend on successful completion of the negotiations. The largest involves National Power, the electricity generator, buying 2.2bn cu m of gas over 15 years from the mid-1990s from GFU, Norway's gas negotiating committee.

The ministers yesterday [redacted] themselves [redacted] exploring [redacted] reaching an agreement. [redacted] they [redacted] talks [redacted] not [redacted] in the near [redacted].

Big rise in home starts

[redacted] work [redacted] year on the largest number of new homes [redacted] 1989, [redacted]ing to figures published [redacted]terday by the Department of the Environment.

The [redacted] confirm [redacted] the faltering recovery which began [redacted] the start [redacted] last year has [redacted] with building activity rising sharply during the final three months of last year. The department said builders started [redacted] on 186,400 homes in [redacted], a rise of 19.1 [redacted] cent [redacted] the previous year. It was the highest number of [redacted] since [redacted] 201,100. By 1992 this [redacted] had slipped to 156,500.

Firmer tobacco rules rejected

[redacted] UK government yesterday rejected proposals for firmer legal controls [redacted] tobacco advertising and [redacted] it would not impose tax penalties on manufacturers which advertise.

The news [redacted] by the Advertising Association, the umbrella group [redacted] clients and practitioners in the industry, [redacted] greeted [redacted] dismay by health [redacted] Ash, [redacted] anti-smoking group.

Mr [redacted] Barron, Labour MP [redacted] Rother Valley, [redacted] he would [redacted] with [redacted] private [redacted] bill banning [redacted] advertising which will [redacted] reading [redacted] the Commons [redacted] Friday.

[redacted] Barron [redacted] confi[redacted] that [redacted] majority [redacted] from all parties will support the bill. The government [redacted] expected [redacted] concede [redacted] free vote, allowing Mrs Virginia Bottomley, health secretary, [redacted] health [redacted] to abstain. Mrs Bottomley, who failed [redacted] persuade [redacted] colleagues [redacted] accept [redacted] package of compromise proposals, [redacted] expected [redacted] try [redacted] change [redacted] during its [redacted] stage.

However, Mr Barron [redacted] he would [redacted] down [redacted] bill. "If [redacted] commit[redacted] floor of the House, as it should do, I am sure [redacted] will be no need to change it [redacted] all," he [redacted].

Dr [redacted] Mawhinney, health *minister,* [redacted] *was "little* to support [redacted] argument that [redacted] statutory ban would have [redacted] dramatic effect on further *reducing smoking, especially* in comparison with the impact of [redacted] measures such as price [redacted] parental influence".

[redacted] government plans [redacted] talks [redacted] the tobacco industry on increasing some voluntary controls, particularly in [redacted] to [redacted] rules relating [redacted] poster advertising near [redacted] and playgrounds, [redacted] example, could be tightened.

Ash said experience in Canada and Norway showed that advertising [redacted] lead [redacted] drop in consumption [redacted] per [redacted] to 9 [redacted] cent – equivalent [redacted] saving between 4,400 and 10,000 [redacted] a year in the UK.

Cathedrals win £4m for repairs

English Heritage, [redacted] body [redacted] looks after historic buildings [redacted] monuments, yesterday announced grants totalling in [redacted] of £4m [redacted] cathedrals [redacted] pay for repair and conservation [redacted].

The [redacted] largest grants, [redacted] £500,000, go [redacted] Salisbury [redacted] and [redacted] Catholic cathedral in Liverpool. Ely, Lincoln and [redacted] cathedrals are [redacted] £250,000, [redacted] and [redacted] respectively.

S Yorks tractor factory to open

[redacted] engineering group has returned [redacted] after an [redacted] more than 15 [redacted] by [redacted]ing transaxles – combined [redacted] and [redacted] – *in a new high-technology factory* in South Yorkshire.

The [redacted] phase of [redacted] factory, which will officially open [redacted] at Penistone, [redacted] Barnsley, is making transaxles for [redacted] US, German [redacted] Italian [redacted] markets.

BUSINESS AND THE LAW

'Clinique' name can be used

EUROPEAN COURT

National marketing regulations [illegible] still subject to Rome treaty rules on free movement of goods, even if applied indistinctly to imports and domestic products, the European Court [illegible] Justice ruled [illegible] week.

In a decision which clarifies its recent ruling in the Keck case, the Court said national marketing rules would only be lawful when they could be justified on a public interest ground which [illegible] precedence over the free movement of [illegible] principle.

In the Keck case, the Court said the Rome treaty ban on import restrictions did not apply to national marketing rules which merely [illegible] "selling arrangements" applicable [illegible] all goods.

The ECJ said treaty rules on free movement of [illegible] and the 1976 directive harmonising national [illegible] pre-[illegible] the application [illegible] Lauder [illegible]osmetics sold under the trademark "Clinique" of German [illegible] prohibiting the [illegible] of goods with a name that could mislead consumers as [illegible] their properties.

The Court ruling was a response to a question referred by the Berlin Landgericht about the interpretation of the free [illegible] of [illegible] rules in [illegible] of proceedings brought [illegible] Lauder [illegible] using [illegible] name "Clinique" [illegible] its products marketed in Germany. The company had originally used the name "Linique" in Germany but had changed to "Clinique", the name used in all other member [illegible] and advertising [illegible].

A German business association brought proceedings [illegible] use [illegible] name "Clinique", relying on German [illegible] prohibiting misleading advertising [illegible] the marketing of [illegible] under names likely to mislead consumers as to their effects. The name "Clinique" [illegible] said [illegible] mislead consumers into thinking the products had a therapeutic effect.

The ECJ pointed out that it was entitled to consider relevant Community [illegible] provisions which had not been referred to it [illegible] the [illegible] court. In particular, it [illegible] the [illegible] directive [illegible] ing national laws on cosmetics provided [illegible] full harmonisation.

However, as contended by the Commission, the directive, like all secondary legislation derived from the treaty, had to be interpreted in the light of the treaty, including the [illegible] movement of goods [illegible].

The directive covered marketing rules [illegible]. It required member [illegible] prevent the use of a name or information which was misleading about the properties of the goods. The aims of the directive included protecting consumers, preventing unfair competition and protecting health.

Hence, said [illegible] Court, it [illegible] necessary to check whether [illegible]man laws which implemented the directive in this respect complied with treaty rules on free movement of [illegible] and, in particular, [illegible] prohibition [illegible] the name "Clinique" was proportion[illegible] original objective.

Following previous case law, the Court said that the German prohibition of marketing [illegible] under the name [illegible] in all [illegible] was in pr[illegible] to [illegible], [illegible] forced [illegible] to adopt a different name in only one member country and so incur additional advertising and packaging expense.

The ECJ [illegible] prohibition of the name "Clinique" in Germany was not necessary to satisfy the objectives [illegible] and health protection. It said the German [illegible] found [illegible] Lauder only marketed [illegible] products in Germany through perfume [illegible] in the cosmetic sections of department stores, not pharmacies. The products were presented as cosmetics and not medicaments. Moreover, the products were [illegible] in [illegible] way under the name "Clinique" [illegible] other [illegible] without causing confusion for consumers.

C-315/92, [illegible] Wettbe[illegible] v [illegible] GmbH, ECJ 5CH, February [illegible] 1994.

Belgian [illegible] discriminate

Belgian legislation providing exceptions to the ban on night working which differ between man and women infringes the 1976 equal treatment [illegible] on access to employment.

C-12/93, Office National de l'emploi v Minne, ECJ 6CH, February 3 1994.

BRICK COURT [illegible], BRUSSELS

When Richemont, the Swiss tobacco to luxury goods group, reshuffled its assets last autumn to produce two separately focused businesses, Rothmans International and Vendôme Luxury Group, copyright notices appeared on the inside cover pages [illegible] the listing particulars in the name of Compagnie Financière Richemont AG.

Mr Frederick Mostert, Richemont's [illegible] property counsel, believes this is the first time that a company has openly claimed copyright protection for [illegible] of [illegible] financial documents.

Richemont's [illegible] raises a question increasingly of concern to the financial community on both sides of the Atlantic. Can copyright subsist in financial documents such as prospectuses, offering circulars, listing particulars and other financial documents required for public disclosure purposes or for filing with a stock exchange?

A question of ownership

Robert Rice asks whether financial documents attract copyright protection

The issue has become controversial, as companies that have spent considerable time and money on [illegible]eloping new financial products increasingly look for ways of protecting their investment in intellectual property.

Certainly copyright protection exists for [illegible]llectual products in other [illegible] of professional services, such [illegible] architects' plans, barristers' opinions, cartographers' maps, sci-[illegible] sheets, trade catalogues and listings. So why not for financial documents?

The matter has never come before the English [illegible], but in [illegible] limited amount of litigation for inf[illegible] right in financial products.

In [illegible], in a [illegible] brought by [illegible], a court ruled that a list [illegible] stocks in an index was [illegible] by copyright. In [illegible] Forbes, a [illegible] underwriter and [illegible]keter, which had registered a copyright for its reoffering circulars and supplements for tax-exempt municipal bonds, successfully sued Newman Investment [illegible] and others for infringing the copyright by using substantially copied documents in an offering. And last year a number of actions for infringement [illegible] copyrighted insurance forms was heard in [illegible] courts.

The increasing use [illegible] financial products such as Lyons (Liquid [illegible] Option Notes), which is a [illegible] of Merrill Lynch, and ABC Securities, which is a registered service mark of Kidder Peabody, also points to the increasing desire of companies to protect their intellectual creations. But in spite such developments, the [illegible] which [illegible] subsist in financial documents [illegible] largely untested.

Copyright can subsist in [illegible] [illegible] to the extent that they constitute original works of authorship, according to an article in the European Intellectual Property Review by Mr Christopher Morcom [illegible], one [illegible] the [illegible]ng intellectual property lawyers, Mr Roger Zissu, president of the US Copyright Society and a partner of New York law firm Weiss Dawid Fross Zelnick [illegible] Lehrman, and Mr Mostert. [illegible] there are limits to the material [illegible] in financial documents which can benefit [illegible] protection.

They [illegible] that, while under both English and [illegible] law financial documents generally qualify for protection [illegible] original "literary works", the idea behind a financial product cannot be copyrighted. [illegible] only [illegible] way that [illegible] expressed.

As a result, to the extent [illegible] financial documents incorporate accounting methods, financial systems or legal concepts, they can be freely used by others, provided they are not slavishly copied.

Facts also cannot benefit from protection, so financial data contained in balance sheets [illegible] income statements can [illegible] used freely. [illegible] there is no protection for standard wording or boiler-plate provisions in common use in the financial industry.

But in all other respects, provided a financial document constitutes the expression of an original work, [illegible] will attract copyright protection whether or not it is compiled from public [illegible] and whether or not it includes a number of standard provisions, say the authors.

Infringement of copyright in financial documents will depend on the facts of each case. If there has been slavish copying of substantial parts of a document, the issue should be clear. Where the language and order of an original document have been [illegible] issue may [illegible]. If the copyright [illegible] prove [illegible] alleged infringer has made use of the original work and, despite changing the language, has taken "the heart or essence" of a copyrighted work, it might be possible to establish an infringement.

If, on the other hand, an alleged infringer has produced a document through original work using other public material and not [illegible] there will [illegible], even if the contents are similar in some [illegible].

According to Mr Zissu, in cases that are too close to call, the outcome is likely to be influenced by the court's sense of where [illegible] balance of fairness lies between the parties. He points out, however, that although judges may be influenced in their decision by a sense of fair play none is likely [illegible] admit to it.

One of the most controversial areas [illegible] this [illegible] the question of ownership of the copyright in the documents and the right to use copyrighted material in subsequent documents, [illegible] Mr Mostert.

As a general rule, copyright [illegible] in the author. But what is the position when a group of companies produces a document setting out ideas for a financial reconstruction, and sends it [illegible] a merchant bank or law firm for [illegible]

The production [illegible] derivative document should not affect the copyright in the original. The lawyer or banker would not be free [illegible] copy the original document or use its [illegible] derivative [illegible] for other clients.

But what if the derivative [illegible]ment [illegible] sufficiently original [illegible] merit its own copyright, or [illegible] contributions of [illegible] original compiler and the lawyer who revises the original document [illegible] be separated, [illegible] the revised document becomes a work of joint authorship?

[illegible] English law, says Mr Morcom, when [illegible] is prepared by a lawyer or a banker the usual posi[illegible] that [illegible] author retains [illegible] copyright in the work, subject to an implied licence [illegible] person [illegible] whom it was prepared to [illegible] it for the purpose for which he or she requested [illegible]

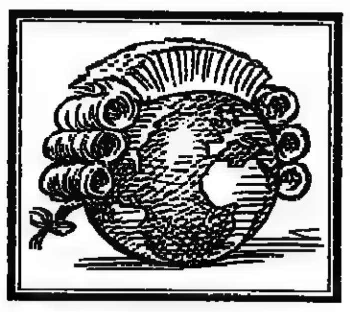
However, where the work is derived from copyright material prepared and supplied by the client and the law firm or bank [illegible] being paid for preparing it, it [illegible] be an implied term [illegible] contract [illegible] engagement that copyright in [illegible] derivative work is assigned to [illegible] client. The [illegible] broadly similar in the US.

The authors [illegible], however, that each case will turn on its facts. It is this uncertainty that is beginning to concern lawyers, bank[illegible] and their corporate clients.

There is no doubt that copyright in financial documents is more on people's minds, says Mr Morcom. [illegible] ease [illegible] which documents [illegible] stored on [illegible] and reproduced has made them consider the issue more carefully. "In a [illegible] everyone is looking to cut costs, there must be a temptation to save time by taking shortcuts," he says.

So will litigation follow? "The issue is very controversial in the [illegible] community," says Mr Zissu. "[illegible] for breach of copyright in financial documents in the next year or two."

LEGAL BRIEFS



Clients not told costs in advance, survey shows

Solicitors [illegible] still failing to inform clients in advance of the cost of legal advice and representation, in spite of clear guidance from the Law Society, the profession's governing body. According to the [illegible] Consumer Council, 25 per cent of firms also fail [illegible] provide an internal complaints procedure as required by the society's practice rules.

In an NCC survey of [illegible] in England and Wales, [illegible] per cent [illegible] they told clients [illegible] the outset of the likely [illegible] their [illegible]. But only [illegible] per cent [illegible] clients said they were told of the likely cost. One in four [illegible] they had no [illegible] how much their case would cost until they received the bill.

Most solicitors also claimed that legal aid clients required to contribute to the costs of their case were told the likely level of contribution at the outset. But less than half of clients said they were told [illegible] their legal aid contribution at [illegible] start.

Lady Wilcox, [illegible] chairman, said the survey showed solicitors were not as good at communicating information as they thought, but this [illegible] surprising given only 10 per cent of firms actively sought feedback from clients.

Formal link

Berwin Leighton, the City solicitors, [illegible] formalised its three-year [illegible]ssociation with Kato Nishida [illegible] Hasegawa, the leading Tokyo law firm.

The firms have been working together in central and eastern Europe since Professor Hiroshi Oda, Sir Ernest Satow professor of Japanese law at University College London, was appointed a consultant of Berwin [illegible] in 1990. Prof Oda, [illegible] of [illegible] leading experts on Russian and central and eastern European law, is also a consultant of Kato.

PEOPLE

Finance moves

■ Clive Cooke, Bill Kissack, Geoff Lott and Jim Magee have been appointed to the board of EXCO INTERNATIONAL.

■ Mallory Wise has been promoted to md of Alexanders Discount, part of CREDIT LYONNAIS.

■ Andrew Bancutt, Bill Blair, David Campbell, Mark McCutcheon, Tom Mitchell, Jeremy Sharp, David and [illegible] have been appointed to the board [illegible] GREIG MIDDLETON [illegible] Co.

■ Roger Day has been promoted to head of operations design [illegible] YORKSHIRE BANK; Cathal Magee, formerly head of human [illegible] at [illegible] Irish Bank (a co-subsidiary of National Australia Group), has been appointed head [illegible] human [illegible] in succession to Brian Jones who is appointed head of technology investment and development with Technology and Operations, Europe, another subsidiary.

■ Nicholas Kahale [illegible] appointed a vice-president [illegible] SALOMON BROTHERS [illegible] Management [illegible] in London; he moves from CS First Boston.

■ Gen Yamaguchi has been appointed md of NIKKO EUROPE's syndication division; Andrew Haines has been appointed deputy md of the fixed income & money markets division.

■ Andrew della Casa has been appointed director, investment sales, at PHOENIX Investment Counsel, the London-based part [illegible] Phoenix Home Life.

■ Roger Ward has been appointed head of global electronic banking at STANDARD CHARTERED; he moves from Chemical Bank. Mervyn Davies has been appointed group head of global account management; he moves from Citibank.

■ Lynda Rouse [illegible] Andrew Christie have been appointed mds of and Graham Cook, Christian Hoist, Sian Lock, Mehrdad Noorani, Michael Perry and John Woolman [illegible] of BZW corporate [illegible]

■ Alexandra Hahn and Trevor Hearn have been appointed to [illegible] board of BANKERS TRUSTEE Company.

■ Donald Wasdell, formerly a director of Smith Keen Murray, has been appointed md of QUILTER GOODISON's office in Birmingham.

■ Sir Robert Wade-Gery has been appointed vice-chairman of BZW.

Haden MacLellan appoints MD

A series of senior management changes at [illegible] Holdings, the [illegible] engineering group, was concluded yesterday with the appointment from March 1 of Richard Taylor as group [illegible]. The changes [illegible] the past 18 months began with the departure in September 1992 of the flamboyant chairman Philip Ling. [illegible], the conser[illegible] Harold Cottam, [illegible] charged with improving the [illegible] image in the City as [illegible] examining [illegible]ment structure.

This led to the departure early last year of chief executive Mel Hawley, only a year after his promotion to the post. His duties were taken on by Cottam and by the mds of the [illegible] main divisions, Taylor [illegible] process engineering and [illegible]

vices and Clive Northmead at manufacturing and distribu[illegible] director, Nigel Reed, was appointed at the end of last year.

The appointment of Taylor, 48, [illegible] a reward [illegible] his [illegible] since joining the group as managing director of the UK process engineering and materials division in 1984. In particular, a management and operational reorganisation led by him reinvigorated the group's formerly loss-making [illegible] businesses, which [illegible] brought under his operational control in 1992.

In his new role Taylor will remain in overall charge of the [illegible] engineering division, [illegible] which [illegible] also announced a streamlined reporting structure yesterday. The division [illegible] than two-thirds of HMH's £300m group turnover.

HMH said yesterday [illegible] it [illegible] "possible and appropriate" for Taylor to give full attention to his additional responsibilities and bring added focus to the group's [illegible] operations and strategic direction.

Loudon quits M&G board

George Loudon, [illegible] former Midland Montagu chief executive [illegible] his job when HSBC Holdings acquired the Midland Group, is [illegible] down as a non-executive director of Britain's largest independent unit trust company M&G after just under a year.

"M&G is a terribly conservative place and maybe that is not apparent to an outsider," says group managing [illegible] Paddy Linaker. "We are a bit [illegible] rather than a [illegible]. Loudon is a high-powered financial type used to doing mega-deals on a regular basis."

M&G has recently been surprised by the degree of controversy sparked by the renewal [illegible] its [illegible] share option scheme, which was in fact approved by a majority [illegible] shareholders [illegible] an extraordinary general meeting [illegible]. But Linaker is firm that Loudon's departure is quite unconnected with that episode. "He was totally behind the company's stance," he says.

Dutch-born Loudon, whose var[illegible] international experience had included spells with Amro Bank in Amsterdam, Lazard Frères in Paris and the Ford Foundation in New [illegible] and Jakarta, may [illegible] disappointed that M&G's plans [illegible] expand into continental Europe have not [illegible] shape faster, according to Linaker. But it was not one sole issue, rather a general difference of philosophy, [illegible] prompted the cooling which [illegible] already apparent last September, the M&G [illegible]

[illegible] other non-executive directors are stepping [illegible] board; Lord [illegible] Mogg after seven years' service and Alan McLintock after 14, while Barry Sh[illegible]k, chairman [illegible] the [illegible] insurance and unit trust self-regulatory organisation Lautro, comes on in a [illegible]executive capacity, but Linaker says there is "no tremendous hurry" to make further appointments.

■ Leslie Warman, 47, a former [illegible] executive with Lloyds Merchant Bank, has taken over as chairman [illegible] Wakebourne, the computer services and support group which has emerged from the shambles of the collapsed Maddox group.

Warman, a [illegible] director of John Tams and LBS Financial Software, made his name among institutional investors by standing up [illegible] Philip Green, the controversial boss of Amber Day Holdings. His resignation in [illegible] 1992, after just under a year on the board, signalled that all was not well and within a matter of months Green had been forced to quit after a collapse in Amber Day's profits.

Wakebourne, which changed [illegible] name from Maddox Group, has had a controversial history under its previous chairman Hugo Biermann, a colourful South African entrepreneur. He resigned last November after the company announced massive losses and City institutions [illegible] to come to its rescue.

Although the company has been overshadowed by unfortunate publicity, its computer [illegible] operation [illegible] well regarded and has been run by the same management [illegible] for the past ten years.

■ The [illegible] man [illegible] Schroder Venture Advisers – one [illegible] the largest UK-based international [illegible] capital groups – has a strong technology background.

Peter Smitham, 51, took over as managing partner of the Schroders affiliate last week in the wake of the surprise resignation of Jon Moulton.

Smitham, who joined Schroder Venture Advisers in 1985, spent his early career with ITT Europe, moved to Barclay [illegible] he was involved in creating a pharmaceutical group from six acquisitions in [illegible] and later [illegible] over responsibility for Lex [illegible] European [illegible] business.

This last job came about as a result of being a founder shareholder in a start-up electronics [illegible] called Jermyn Holdings, sold to Lex in 1983.

Since moving into venture capital he has led 20 of SVA's [illegible] investments, including most of those involving [illegible]tronics and information [illegible]nology companies.

[illegible] of his [illegible] successful [illegible] the management buy-out from Cambridge Electronics [illegible] of Roxboro Group, which went public in [illegible]

Bodies politic

■ John Svalander, formerly general for environmental affairs for BP Chemicals, based in Switzerland, has been appointed director of the EUROPEAN COUNCIL [illegible] VINYL MANUFACTURERS.

■ Dominic Cadbury, chairman of Cadbury Schweppes, is to succeed Sir Bryan Nicholson as chairman of the CBI EDUCATION AND TRAINING [illegible] COMMITTEE.

■ Brian Kelleher, who [illegible] recently sold Kelleher Forwarding to Uniserve Group, has been appointed president of FIATA, the International Federation of Freight Forwarder Associations.

■ Brian Thomas, chairman of Metrotect Industries, has been elected to the board of the INTERNATIONAL PIPE LINE [illegible] OFFSHORE CONTRACTORS ASSOCIATION.

■ Michael Heath has been appointed director general of The CLEANING AND SUPPORT SERVICES [illegible]

■ Alan Matthewman, md [illegible] Danielson, has been [illegible] chairman of the MEMBRANE SWITCH MANUFACTURERS' ASSOCIATION.

■ Keith McCullagh, [illegible] executive of British Bio-technology Group, has been elected chairman of the newly created BIOINDUSTRY ASSOCIATION.

■ Paul Keen, acting chief [illegible] of [illegible] In People UK, has been appointed the DEPARTMENT of EMPLOYMENT's new regional director for the north west of England. He played an important role in the design and promotion of IIP, a public body which seeks to tailor training more effectively [illegible] corporate business plans.

■ Kenneth Turnbull, executive vice-president, Europe and Africa, has been elected chairman of the BRITISH CHEMICAL ENGINEERING CONTRACTORS ASSOCIATION.

■ Maurice Cain, senior principal scientist with the Malaysian Rubber Producers' Research Association, has been appointed secretary-general of the INTERNATIONAL RUBBER STUDY GROUP.

■ Richard Gamble, group chief executive of Royal Insurance, has been appointed a member of the POLICYHOLDERS PROTECTION BOARD.

MANAGEMENT: THE GROWING BUSINESS

Equip us for competitiveness

Andrew Baxter on what some smaller engineering companies told their Treasury guests

Brian Lawson fingers a part the size of [illegible] napkin ring which his subcontracting [illegible] produces [illegible] two machine tools – it starts in one, moves across his cramped little factory to the other, and ends up [illegible] first to be finished.

"With [illegible] right [illegible] of equipment I could [illegible] this cheaper [illegible] machine," [illegible] Lawson, [illegible] of [illegible] Engineering, [illegible] in High Wycombe, Buckinghamshire. "I'm competing with companies in Germany and Italy which have [illegible] equipment."

Canmore was [illegible] 11 engineering companies in the [illegible] counties [illegible] Midlands which [illegible] part [illegible] week in [illegible] two-day [illegible] from [illegible] Treasury why [illegible] in new technology by small and medium-sized enterprises [illegible] UK competitiveness as [illegible] country's [illegible].

The [illegible] for the organisers, [illegible] Technologies Association, which for [illegible] time managed [illegible] lure [illegible] senior Treasury [illegible] their [illegible] part [illegible] UK industrial [illegible].

The [illegible] they [illegible] "poor companies bleating for hand-outs," [illegible] association's Mark Swift, "but good companies [illegible] could do [illegible] if it [illegible] for them [illegible] invest".

The tour followed a meeting late last year between the Treasury and the MTTA. "We said: 'Let us take you to see the SMEs which are critical of the banks and the government,' so that officials could see what it is these businesses need to invest in new technology," says Michael Legg, managing director of Japanese-owned Hitachi Seiki UK.

A related aim, he says, was to show the Treasury how machine tools have changed over the past decade.

The issue of competitiveness – and the disadvantages many SMEs believe they face when trying to win work against rivals in Europe and the Far East – dominated [illegible] tour.

The clearing banks attracted [illegible] criticism – [illegible] supplier complained that its overdraft had been cut by one-third with no warning.

The government came under attack too, with SMEs calling for the fine words about manufacturing over the past year or so to be matched by more action.

The SMEs suggested a number of solutions ranging from a system of grants like the now discontinued Sefis (Small Engineering Firms' Investment Scheme), more [illegible] capital allowances, or [illegible] government-sponsored [illegible] channel [illegible] relatively [illegible] to SMEs. Above all, the SMEs were looking for something from the government that would increase their confidence in making investments.

Alan Addis, managing director of Southall-based Verdict Precision Engineering, says machine tool purchases by his French counterparts are heavily subsidised by their government, which then insists that large contractors use these suppliers.

As for growing the company, Addis says: "We've got some super plans and want to [illegible] so much. I need £1m to make Verdict really grow but where am I going to get it from?"

Addis is particularly keen on seeing a revival for Sefis grants to encourage equipment purchases, although he says interest rates cannot be ignored either. Lawson, meanwhile, says that buying the latest high-tech equipment brings access to higher-margin work. Also, with aerospace customers likely to give big orders at short notice, "you've got to have the equipment to make it on. There's no point in having 15-year-old machine tools".

And the reaction from the Treasury visitors? Bill Guy, head of [illegible] supply side unit, said the tour would not lead to an overnight change in policy, and seemed doubtful about some of the SMEs' proposals. But the trip would add to the "quality of decision-making" at the Treasury.

Banks begin to face the facts

In the second of a series on exporting, Richard Gourlay and Ian Hamilton Fazey consider the role of lenders

Hardly a day goes by when UK industry is not encouraged to export; with equal regularity [illegible] protest from exporters saying that banks do not understand their needs. According to Ian Campbell, director-general of the Institute of Exports, the [illegible] challenge exporters [illegible] is in dealing [illegible] their lenders. Finding flexible forms [illegible] finance [illegible] before arranging insurance or even planning [illegible] marketing strategy.

"Banks' understanding [illegible] very limited at the local level, although there are good people at the head office," says Campbell.

A [illegible] study by [illegible] showed that banks were the first call for advice on exporting for 80 per cent of smaller companies but 72 per cent of them said the advice they received was of no use.

[illegible] of [illegible] complaints from exporters [illegible] banks lack adequate understanding of [illegible] customers' foreign [illegible]. "When exporting you need to be far more flexible if you are going to gain contracts," says Roger Walker, managing director of Long Products, a manufacturer of anti-corrosion and water proofing materials based in Rye, East Sussex. The company exports about 85 per cent of its £3m annual sales.

Ideally exporters should be in a position to offer a financing package when they go into negotiations with customers. But many complain that their commercial position is undermined by their banks not matching [illegible] by overseas competitors.

Exporters cannot, however, [illegible] from all blame. [illegible] they turn [illegible] in [illegible] day. According [illegible] Natus, [illegible] of [illegible] at Barclays [illegible] it [illegible] mon for [illegible] "I have something [illegible] being shipped tomorrow, [illegible] it?" or, "what can I do, the letter of credit [illegible] not [illegible]"

Alternatively, companies [illegible] simply be talking to the wrong people in their banks. It is unrealistic to expect most branch managers to be conversant with collection methods in Italy, for example.

While [illegible] number of banks are setting up business centres with a resident international [illegible] specialist, exporters need [illegible] far more professional approach to ensure their export finance is properly lined up.

"Companies should look [illegible] export finance quite separately from their ordinary retail banking needs", says [illegible] "It is up to individuals to assess the quality of the banks and the people in the bank they are dealing with."

Walker: "When we unscrambled our banking arrangements . . . we could go into the export market with renewed confidence"

Colin Beere

[illegible] knowledge [illegible] shopping around is the result of bitter experience. Four years ago Long Products [illegible] the company £400,000 of profits over [illegible] no warning, [illegible] bank started withdrawing its export financing facility from the market, giving him no time to make alternative arrangements. The bank told [illegible] was trying [illegible] capital [illegible].

[illegible] research [illegible] an expensive two-year transition, [illegible] now [illegible] his foreign business [illegible] Barclays in [illegible] domestic [illegible] the Royal Bank of Scotland. "When we unscrambled our banking arrangement, we got our sales and profitability [illegible] up because we could go into the export [illegible] renewed confidence," he says.

Whistling [illegible] tune composed in head office is not uncommon for local branch managers. Elaine Thomson, managing director of Frederick Thomson in Crewe, faced a similar [illegible] with [illegible].

Having won [illegible] £260,000 order to [illegible] specialist baking machinery from [illegible] of Finland, Thomson says she was assured by her branch manager that he would provide a guarantee [illegible] a deposit [illegible] equipment [illegible] shipped. Then, on [illegible] regional [illegible] in Liverpool, [illegible] guarantee and [illegible] lost [illegible] order.

[illegible] the [illegible] an [illegible] agreed [illegible] provide [illegible] guarantee, [illegible] only with [illegible] ship Consultancy, [illegible] companies how [illegible] from [illegible] says Thomson, [illegible] losing [illegible] trading patterns [illegible] the [illegible] be as supportive as possible.

Another significant problem is that UK banks, when judging how much security [illegible] debtor book can support, will usually ascribe [illegible] to foreign debt receivables, however large the customer, unless they [illegible] by [illegible] insurance. "[illegible] the banks [illegible] a charge [illegible] the [illegible] they [illegible] allow 80 per [illegible] against domestic debtors but nothing against overseas debts," says Mark Runiewicz of the Bank Relationship Consultancy.

Barclays' Natus says the bank is currently considering changing its policy to take a "more [illegible] view" of the risk of foreign debtors.

If [illegible] is relaxed, export[illegible] immediately [illegible] a [illegible] of security against which to raise finance. But as long [illegible] policy remains, companies will [illegible] hiding [illegible] export receivables [illegible] debtor book, undermining [illegible] on which [illegible] built.

[illegible] are signs that [illegible] may [illegible] responding to exporters' [illegible] some [illegible] reintroduced an export finance [illegible] smaller exporter [illegible] insufficient to support its foreign [illegible]. What [illegible] more, there is growing recognition among banks that the service they offer exporters could be improved. Andy Nemes, of [illegible] international [illegible] banking [illegible] division, admits that the barrage of complaints [illegible] year's exporter [illegible] by the [illegible] Times was an "eye-opener".

A [illegible] deputy head [illegible] the bank's staff training college, Nemes says NatWest is going to modify its training programmes as a result of what he and his colleagues learned.

And the institute is working with NatWest to devise [illegible] course for bank staff on exporting.

In a Nutshell

League offers cut in credit card costs

Help is at hand for smaller companies that sometimes have to pay more than 5 per cent to process credit card transactions.

From next week, companies that join the Independent [illegible] League*, formed [illegible] to represent smaller company interests, can expect [illegible] in charges on payments received by credit card.

[illegible] with average [illegible] of £150 or more will qualify for [illegible] 1.55 per cent rate. Those with smaller transaction sizes will pay between 1.7-3.0 per cent. The deal was negotiated with Barclays Merchant Services, the [illegible] 40 per cent of plastic card purchases.

**Details from [illegible] Independent [illegible] League. [illegible]*

UK bank support for franchising

European companies seeking [illegible] support for franchising operations [illegible] likely to [illegible] knowledgeable reception in the [illegible], according [illegible] a study.

Elsewhere, banks [illegible] a poor knowledge [illegible] franchising and little interest in developing [illegible] potential.

The study* [illegible] by [illegible] John Stanworth of [illegible] University of [illegible] and [illegible] Stern, [illegible].

**Improving [illegible] survival [illegible] via franchising – University of Westminster. [illegible] 071 911 5000.*

Answers to the quick quiz

The answers to yesterday's quiz are as follows: 1 T; 2-7 F; 8-9 T; 10-11 [illegible] T; 13-20 F. Score 0-5: Oh [illegible], pretty [illegible] or even bigoted. 6-10: Too long at the school of hard knocks, we fear. 11-15: Yes, experience has helped. 16-20: Clearly a veteran of the management school of life.

BUSINESSES FOR SALE

AUCTIONS

PERSONAL

AUCTIONS

BUSINESS SERVICES

LEGAL NOTICES

CONTRACTS & TENDERS

TECHNOLOGY

Della Bradshaw on how computing with a stylus could shorten trial periods for pharmaceutical companies

Delays cut at the stroke of a pen

Time is money for the international pharmaceutical companies. Delays in [redacted] blockbuster compound to market give rivals time to launch price-cutting [redacted] Each day's hold-up can cost a drug company $1m [redacted] in [redacted] revenues.

As a result, the race is on to bring in the latest computer technology to cut approval times. Clinical trials in particular [redacted] been targeted by the big pharmaceutical companies.

While many [redacted] drug companies are investing in personal computers or facsimile machines, Rhône-Poulenc Rorer in [redacted] US [redacted] one step further. It [redacted] conducting trials with pen computers – electronic [redacted] reminiscent [redacted] Victorian school slate, with [redacted] stylus or "pen" [redacted] for writing on the [redacted] The software [redacted] usually displayed [redacted] forms, with [redacted] that can be ticked [redacted] filled in.

Eventually, pen-based machines could [redacted] the mountains of paperwork associated with drug trials. [redacted] record forms, [redacted]pleted [redacted] triplicate, can [redacted] up to [redacted] thick for just one patient. [redacted] typical trial would involve [redacted] phases, with an [redacted] patients [redacted] trial.

[redacted] Rorer, part [redacted] France, [redacted] using pen computers in a trial of antibiotics, which began last December. Of the 30 to 40 sites involved, eight will [redacted] using [redacted] computers [redacted] duplicate [redacted] system. The aim, [redacted] Greg Fromell, associate director of clinical research in the US, [redacted] much quicker [redacted] could [redacted]

Fromell sees [redacted] big areas of time saving. First, data entry – [redacted]ring the paper-based [redacted] results [redacted] computer – is always a "bottleneck." [redacted] have [redacted] typed [redacted] or [redacted] times, [redacted]ing [redacted] delays. With [redacted] pen computer, information is [redacted] on [redacted] screen [redacted] can [redacted] transferred directly [redacted] main [redacted]

Second, researchers [redacted] months correcting [redacted] in paper data. The software [redacted] by [redacted] Rorer, from the German company Padcom, helps elimi[redacted]

If [redacted] number [redacted] required in [redacted] a [redacted] question, the [redacted] will not [redacted] the doctor to enter a letter or a [redacted] The [redacted] the birth date of the patient to ensure that he or she is of the appropriate [redacted] take part in the study, [redacted] which appears to be outside the [redacted] boundaries – [redacted] paper questionnaire.

Although Fromell [redacted] that the breakthrough has been in the [redacted] computers that take handwritten [redacted] from com[redacted] as Grid, [redacted] and IBM of the US and NEC and Toshiba in Japan, he argues that it is not the hardware that will provide the competitive edge in drug trials, but the software.

[redacted] Casella, the Hoechst subsidiary in Frankfurt, clinical project manager Dieter R. Dannhorn believes it is critical to have software which can guide doctors, many [redacted] will be inexperienced in the use of computers, through [redacted] "form": "I need [redacted] who [redacted] happy with [redacted] system, otherwise I am not [redacted] to [redacted] any patients [redacted]"

Casella has already conducted [redacted] short clinical trial with pen computers on 16 [redacted] and is now planning clinical trials [redacted] product involving [redacted] in 10 centres with each patient questioned three times.

Each doctor involved will receive a diskette to be completed on each patient visit. For the Rhône-Poulenc Rorer trial, diskettes will also be used to record patient information. They will be posted to the central office [redacted] the [redacted] will be [redacted] database. [redacted] future [redacted] could be sent automatically over a phone line.

While drugs companies believe it is [redacted] early [redacted] predict potential savings, [redacted] director of marketing, [redacted] Münzel, calculates that for [redacted] typical Phase II trial, where the drug [redacted] tested [redacted] efficacy for the first time, the savings could be more than 40 per cent. If 10 centres and 200 patients were involved over a 12-month period, with each patient visiting the doctor six times, Münzel calculates a saving of more than $205,000 out of a total study cost of $511,440, in reducing the number of queries and [redacted] for retyp[redacted]

Drugs companies could find themselves drawn into writing much of their own software

He [redacted] if pen [redacted] throughout [redacted] drugs approval procedure, they [redacted] cut [redacted] study. [redacted] 30 [redacted] per drug, [redacted] could cut months – or even years – off the eight to 12 years it usually [redacted] get [redacted] drug approved, giving companies [redacted] or three years of sales of [redacted] compound before competitors [redacted] market.

[redacted] is [redacted] optimistic. "[redacted] challenge [redacted] to make major improvements in [redacted] whole host [redacted] areas," says Mark Delfino, [redacted] manager specialising in [redacted] technology with [redacted] Consulting Group, [redacted] Chicago. "A [redacted]based system per se is only a more friendly [redacted] and [redacted] getting [redacted] comes in, you still need [redacted] set of processes [redacted] handle it quickly."

Although [redacted] computers [redacted] time in data entry, Dannhorn [redacted]lates that unfamiliarity with writing [redacted] study books for pen [redacted] means that it takes him up to five times as long to write one for a pen computer as it does for a paper-based trial.

[redacted] companies could be [redacted] into writing much of their own soft[redacted] with the need to set up expensive centres [redacted] technical expertise, adds Delfino. In addition, the cost of [redacted] inconsequential". He [redacted] between [redacted] per site to equip trial [redacted] with machines.

Today's pen computers [redacted] often relatively heavy [redacted] have [redacted] short battery life. So far there is no de [redacted] operating system – some [redacted]panies favour that developed by the Silicon Valley start-up Go; others prefer [redacted] Windows for Pen Computing.

While [redacted] pharmaceutical [redacted]panies have been quick [redacted] adopt pen computing, [redacted] strong [redacted] One [redacted] handwriting recognition technology is still relatively primitive. "One of the biggest problems [redacted] legibility: doctors have notoriously bad handwriting," [redacted] Stephen Hill, [redacted] medical director for Roche, the [redacted] pharmaceuticals company. [redacted] be [redacted]rately recorded – particularly [redacted] international trials conducted [redacted] English where [redacted] not the first language [redacted] the doctors involved.

"One [redacted] biggest problems [redacted] to make [redacted] information [redacted] matches the information [redacted] patient's records," continues Hill. If the [redacted] directly by [redacted] from the [redacted] the company's [redacted] – without intermediary checking – [redacted] slip through.

Regulatory [redacted] hampering [redacted] widespread take-up of [redacted] systems. [redacted] Pfizer's [redacted] operations in Sandwich, Kent, for [redacted]ple, [redacted] waiting [redacted] a pronouncement [redacted] Food and Drug Administration about the [redacted] signatures. [redacted] trials, the investigating doctor has to sign all the trial results to validate them, but [redacted] are [redacted] guidelines about electronic signa[redacted]

In Germany, [redacted] system is [redacted] more restrictive. Although [redacted] information from [redacted] trial will [redacted] requires that [redacted] results of the [redacted] be printed out and [redacted] by the doctor if the trial is to be valid.

[redacted] Glaxo [redacted] the [redacted] are experimenting with pen-based computers but [redacted] it will be [redacted] two [redacted] years before they can rely on them utterly. [redacted] then, says [redacted] spokesman [redacted] Glaxo, [redacted] recognition technology – [redacted] talk [redacted] their machines – [redacted] made similar [redacted] and might [redacted] dominant technology.

With a pen computer information is entered on the screen and transferred to the main database, reducing errors and delays

Orphan quickly finds a home

Paul Abrahams on why [redacted] Japanese drug company chose a tiny market

Pharmaceutical companies have, in recent [redacted] been concentrating on developing compounds for large markets. The [redacted] of developing [redacted] drug [redacted] a potential market [redacted] $100m (£67m) [redacted] not much [redacted] than a $1bn one. As a result, most research and development directors have decided to concentrate [redacted] the big therapeutic categories where [redacted] are likely to be greatest.

The drawback [redacted] that [redacted] categories [redacted] to be highly competitive and [redacted] require huge clinical [redacted] This [redacted] time – an important [redacted] given that the patent-life [redacted] – and [redacted]

Fujisawa, Japan's fifth-largest [redacted] group, adopted [redacted] approach [redacted] compound, Prograf. [redacted] deliberately developed the drug, the first new immuno-suppressant launched in 10 [redacted] use in liver transplants only – [redacted] relatively tiny area. There [redacted] only [redacted] 20 liver transplants [redacted] year in Japan.

The move [redacted] strange [redacted] Prograf [redacted] crucial to Fujisawa's [redacted] Eventually, however, [redacted] potential market for [redacted] drug [redacted] huge. The main competitor is Sandimmun, a drug [redacted] by Sandoz [redacted] with annual [redacted] of [redacted] SFr1.3bn (£600m).

Hitoshi Oyashu, managing director [redacted] Fujisawa's [redacted] division, [redacted] main reason for starting with [redacted] limited [redacted] obtain "orphan" status. A [redacted] Japanese law gives priority for orphan drugs treating [redacted] affecting no [redacted] than 50,000 people.

In theory, orphan [redacted] are given:

- Priority during the [redacted] of health's [redacted] drug's [redacted] and [redacted]
- [redacted] marketing [redacted] for 10 years [redacted] six years for other drugs.
- Government R&D [redacted]
- [redacted] on development [redacted]

Even in [redacted] procedure was [redacted] accelerated [redacted] such [redacted] limited indication. The compound [redacted] filed for [redacted] in liver transplants during September last year and declared approvable by [redacted] FDA advisory committee within [redacted] months. The company expects final approval [redacted] – [redacted] astonishingly quick [redacted] There are about [redacted] liver transplants in the US [redacted] year, according to [redacted] Capel, UK stockbrokers, in Japan.

The [redacted] great advantage [redacted] such a narrow indication according to Oyashu [redacted] that Prograf [redacted] granted a substantial price premium [redacted] existing therapies.

In [redacted] 1992, [redacted] Japanese ministry [redacted] health and [redacted] created [redacted] system [redacted] fixing [redacted] drug prices. The only drugs [redacted] significant premiums to existing therapies [redacted] be [redacted] concept, showing advantages in safety [redacted] usefulness, and making [redacted] "striking" contribution compared with conventional [redacted] Prograf [redacted] the only drug to have fulfilled [redacted] criteria since [redacted] rules [redacted] introduced.

In [redacted] meantime, the company [redacted] using the wedge of the liver transplant indication [redacted] gain approval for kidney transplants, and eventually other auto-immune [redacted] such [redacted] disorders, Paget's [redacted] and [redacted] The company hopes [redacted] have approval [redacted] kidney transplants in Japan during the [redacted] quarter [redacted] this year. In the US, it hopes [redacted] drug is approved by the fourth quarter [redacted]

Industry consultants say [redacted] market for Prograf [redacted] already much larger [redacted] might [redacted] imagined. [redacted] a drug [redacted] approved, [redacted] prescribe it for other [redacted] though it [redacted] strictly [redacted] for [redacted] with later marketing. Another advantage is that once the drug is in use, regulatory authorities [redacted] less [redacted] safety, leaving the company [redacted] efficacy. This speeds up subsequent approvals.

However, the R&D [redacted] of one of Japan's [redacted] groups [redacted] the [redacted] high pricing only lasts when the indication is narrow.

Concert

Schumann and friends

Evidently somebody at BMW has [redacted] of humour. In the week that the company surprised [redacted] observers in the car industry by revealing [redacted] as the buyer [redacted] Rover, it [redacted] also playing [redacted] game of hidden identities with London [redacted] cert-goers at the Barbican.

Th[redacted] English Chamber Orchestra is giving seven concerts in its spring season at the hall, each [redacted] which includes a mystery item. The audience is invited [redacted] what the [redacted] are and the overall winner [redacted] a prize to the tune of £1,000, sponsored by BMW [redacted] Ltd. Of recent marketing ploys, this [redacted] undeniably the most novel, though if its [redacted] win audience loyalty for the series, atten[redacted] were not encouraging.

The "Schumann and friends" [redacted] incorporated four orchestral [redacted] included one of the four Schumann symphonies, paired [redacted] some shorter pieces [redacted] his contemporaries. This [redacted] an interesting period, [redacted] some composers still [redacted] an allegiance to the musical language and forms of the classical period, while others were taking flight into the boundless [redacted] romanticism.

[redacted] all Schumann's "friends" [redacted] was the most fully lib[redacted] On Friday Ann Murray [redacted] his [redacted] *d'été* [redacted] delightful [redacted] shaping long and liquid phrases [redacted] need to stop [redacted] breath. These [redacted] be [redacted] summer nights, warm but not sultry, cooled by a light [redacted] The [redacted] imagi[redacted] performances venture beyond [redacted]

The striking orchestral sonorities [redacted] Berlioz imagined were largely [redacted] by [redacted] Raymond Leppard, which was to prove [redacted] style throughout [redacted] Any music [redacted] from lightness, fluency, dancing rhythms fared well; [redacted] a score [redacted] be probed more deeply, [redacted] demands [redacted] likely to be [redacted] over. Men[redacted] "Infelice", well [redacted] Murray, [redacted] drama [redacted] within bounds.

As an [redacted] early 19th-century composer, [redacted] himself looks both backwards and [redacted] The [redacted] movement of the "Rhenish" Symphony, inspired by a visit to Cologne [redacted] harks back to the solid, Teutonic counterpoint [redacted] Bach [redacted] Buxtehude. A freer work like the [redacted] C for violin and orchestra [redacted] arms to embrace romanticism. At Saturday's concert Leonidas Kavakos played the Fantasie with sweet tone and threw in some spectacular technical [redacted] in Paganini's "Le streghe" variations [redacted] good measure.

[redacted] Schumann symphonies [redacted] 2 and 3 [redacted] these [redacted] according to form. [redacted] performances by full-scale symphony [redacted] which inevitably sound heavy, Leppard's springy, light-on-its-feet style [redacted] welcome, [redacted] while one was wishing that [redacted] would [redacted] into [redacted] music [redacted] The [redacted] was not spotless, but the ECO [redacted] still [redacted] first-[redacted] Neil Black and [redacted] King, oboe and clarinet, made the [redacted] Symphony's Adagio unadulterated pleasure.

Richard Fairman

Betrayed by the system

When it comes to teaching students how to draw we have been led astray by Tom, Dick and Harry says **William Packer**

T[redacted] idea [redacted] taking life drawing into secondary schools would seem as unexceptionable [redacted] high-minded [redacted] be; [redacted] where [redacted] it [redacted] in the [redacted] the Royal Academy [redacted] Arts, [redacted] tion of the disciplined and objective study [redacted] the model? [redacted] 1989, the Outreach Programme [redacted] Academy's Education Department [redacted] been sending graduates of the Academy Schools into secondary schools around the country, to conduct day-long workshops (modern teach-speak) in [redacted] drawing.

There is no doubting [redacted] sincerity [redacted] all those [redacted] in [redacted] programme, nor that, [redacted] the [redacted] of [redacted] some [redacted] has come [redacted] it. [redacted] as the [redacted] themselves decide, [redacted] A Level and art [redacted] aspirants to those [redacted] might never [redacted] sider [redacted] anything but [redacted] skive, and [redacted] extremely hard. [redacted] the initial [redacted] being [redacted] by [redacted] figure [redacted] worn off, [redacted] salutary – for [redacted] all [redacted] our [redacted] in, [redacted] the model, unsentimentally [redacted] ciously, is only to look at ourselves.

So far so good, and on first sight the drawings now at the Academy seem full of expressive life and energy. But when we look again, what else is there to see but expressive life and energy? The truth begins to dawn that what we confront is not the fruit of study at all, but of therapy made up to pass as study. A great deal may well have been felt – of sympathy, excitement and release – in the making of these drawings, but what has been learnt? And if learnt, what remembered? Where is information that is actually retrievable, usable?

What is so saddening is that here we might have had a programme that began at last to address the heresy that has betrayed art education at all levels these past 30 years. Instead we have its wholehearted embrace. Do your own thing. Express yourself. Be an artist. Have Fun – but if it requires any technical discipline or detached and objective critical consideration, above all if it is difficult, don't bother.

The game is given away at the start in an introductory display which offers a glib travesty of the argument. A few dim and tired examples of the Victorian academic life school are set up, stump and smudge, to show the bad, dull old ways. There is nothing of Augustus John, or Sickert or Tonks, in the great Slade tradition of life drawing. Instead, in straight comparison, oh brave new world, sit those heroes of reform, Victor Pasmore, Tom Hudson, Harry [redacted] Hamilton, [redacted] example [redacted] polemic led directly [redacted] reformation [redacted] the art schools in the 1960s.

Chapter and verse are given in the catalogue. Right up until 1964, [redacted] of the old public examination for the National Diploma in Design, the study of the figure was the central discipline of the art school. "The nude and costumed figure is studied in a variety of poses", runs a Ministry report of 1950. "These usually last a full day, but frequently short poses, action poses, or... poses sustained during two or three days are substituted, so that the student becomes familiar with the figure under a variety of conditions. By these methods allied to a thorough study of Anatomy it is hoped to equip the student with a sound working knowledge of the human figure and a technique adequate to its expression." So it did.

"This limited interpretation of drawing [redacted] until the 1950s", the catalogue goes on. But then our Tom, Dick, Harry [redacted] Victor, all intelligent men [redacted] manifestly [redacted] draughtsmen, knew better. "They engaged the student in [redacted] of drawing which were exploratory and analytical, as well as expressive. The figure was no longer viewed as [redacted] object [redacted] pinned down and [redacted] was [redacted] living, complex [redacted] which could only be approached in an 'open' [redacted] 'questioning' manner. Drawing became... a dynamic [redacted] mark-making [redacted]... proposed certain ideas about form... The eye searched intently... the mind explored... There were no prescribed 'answers'..." Ah. There we have it. [redacted] answers. Drawing at last as exploration and analysis, open and questioning – but no answers.

When I look back [redacted] my own unreformed days and weeks in [redacted] life room, [redacted] by that [redacted] being [redacted] living [redacted] its [redacted] bly and intelligibly [redacted] surface of [redacted] board, I [redacted] no simple descrip[redacted] exercise, no "pinning down [redacted] delineating". [redacted] were relationships [redacted] sured, shifts, balances and tensions sympathetically to be felt and understood, and a hand to be disciplined into making the marks that eye and brain required. Analysis, exploration, discovery, expression? Of course. And discipline, and technique?

And here are these eager children on their hands and knees, paper on the floor, model on the move and nothing in fixed relation to anything else, to be analysed or explored, let alone expressed. But who is there now to teach them, show them how, and make them do it? They deserve more than this.

Lessons in Life: Royal Academy of Arts, Piccadilly W1, until March 12; sponsored by Midland Bank

One of the promising student drawings at the 'Lessons in Life' exhibition at the Royal Academy

How it should be done: a pen and wash drawing of [redacted] nude by Augustus John

Bedlam and bravery in Spring Collection

Clement Crisp finds dancers lurking round car bonnets and cranes, wheelchairs, and Indian tradition in transition at The Place and the South Bank

L[redacted] *danse*, it [redacted] on the programme [redacted] *c'est* [redacted] *déclaration d'amour*. It is ninny-ish aphorisms [redacted] this which make me want to see heads on [redacted] The [redacted] the concrete hell of the South Bank. These were the weekend locations for an introductory tasting of "British independent dance" being [redacted] audiences that included [redacted] from hither and European yon, in what I take to be a market[redacted]

And what, I wonder, did they make [redacted] "independent [redacted]" that involved Bharata Natyam in transition, [redacted] performers, inept feminism, Hare Krishna posings, and [redacted] about social identity? I [redacted] three of seven performances on offer – *La danse* is also a declaration of stamina – and my comments are a first report on a burst of activity which occupies The Place for the next twelve weeks. (One item will be concerned with "guilt; three men and a five metre steel crane". The crane, I trust, has passed [redacted]

Friday night's opening seemed a fair enough sample of the problems – aesthetic and technical – that face our dance adventurers. Both Ben Craft and Gary Lambert are strong dancers. Their jointly-made *Cold Ground Drifting* – titles [redacted] obscurantist, and [redacted] much of the dancing, in these affairs – finds four dancers lurking around structures made of car-bonnets. Nothing much happens, though there is an air of menace to the piece, and the technical [redacted] on view are fine. About Yael Flexer's *Dot.. dot.. dot* it needs just to be said that a small but stalwart girl dancer badgered a tall male violinist. The parent company is called "Bedlam". Enough!

Two other pieces touched on ethnic identity. Jacob Marley tells us in *British Jungle Dances* that his parents were white and he was black, and he feared that he might be sent back to the jungle. The surprising result, [redacted] this [redacted] ment, is a [redacted] Union Dance which is elegant, supple – movement curves in and out of gesture and pose – and very attractive as it responds to sophisticated African [redacted]

Shobana Jeyasingh's [redacted] *Footnotes* was, by contrast, worthy, dull. [redacted] is in transition [redacted] – an inevitable development [redacted] women's [redacted] change in society – [redacted] I longed for more of the bravura stampings and transcendent rhythms of Bharata Natyam, and something less compro[redacted] by clichés of [redacted]

Saturday afternoon at [redacted] began in fine style with Mark Balwin's real[redacted] *Nozelles*. Baldwin appeared as a guiding participant, with two excellent [redacted]lleagues – Sara Matthews and Lee Boggess. His manner [redacted] oblique, [redacted] score becomes an excuse for dances that touch slyly on the game of flirtation. Underneath the mocking there is sincerity, and though I found Baldwin's own stage [redacted] petulant [redacted] limp-limbed, [redacted] piece is neat, off-beat, welcome.

The rest of the afternoon was a vexation to the spirit. About Emilyn Claid's *Virginia Minx at play* I note simply that Miss Claid's performance was laboured in mime and stratospherically winsome, and that it was too soon after lunch to sit through [redacted] behaviour. (Frankly, it was too soon after the Big Bang). She was aided and abetted by Heather Joyce, who played the saxophone and keened. There was a soundtrack by Sylvia [redacted] hideously right [redacted] the event.

The closing *Corpus Anta*[redacted] was [redacted] by the admirable [redacted] Maliphant [redacted] [redacted] Two men, three [redacted] with apricot [redacted] sub-Hindu [redacted] in [redacted] of an Ashram. [redacted] slow curvings and coilings, the ringing of tiny bells [redacted] jolly drummings, and the suspicion [redacted] where was looking for a Swami. As [redacted] piece [redacted] climax, [redacted] collapsed [redacted] curved [redacted] in thrilling fashion, but the sum effect [redacted] dated – something [redacted] on the [redacted] Katmandu [redacted] enlightenment in the 1960s.

The day closed with Candoco, [redacted] which unites wheelchair performers and able-bodied dancers, [redacted] the Queen Elizabeth Hall. I [redacted] troupe [redacted] and hoped that they might expand their activities with new choreographies. The [redacted] part [redacted] their [redacted] this in a [redacted] Dandeker, chair bound, [redacted] Benjamin and Kuldip Singh-Barmi, made by its play[redacted] which spoke [redacted] love, reli[redacted] pain, in [redacted] movement [redacted] in [redacted] potent gestures.

Equally good [redacted] a [redacted] by [redacted] Falk [redacted] who, [redacted] legs, [redacted] a vital performer, and Singh-Barmi. The dance explores mobility, [redacted] in partnering, perspectives on [redacted] world. I thought it brave, [redacted]mising. So, too, a study by Siobhan [redacted] to [redacted] Bryars' string quartet. Davies has seized on the possibilities of wheelchair movement – gliding speed – [redacted] the [redacted]tional interplay possible [redacted] physical freedom and constraint.

The result [redacted] a subtly compelling [redacted] what [redacted] can [redacted] as artists. [redacted] everything [redacted] these three [redacted] about the [redacted] – dignity, handicaps rejected, [redacted] born [redacted] difficulty – [redacted] destroyed by the final offering, Emilyn [redacted] *to Front*, staged in collaboration with [redacted] and [redacted] a raucous accompaniment by [redacted] Deakin.

Vulgarity, cheap jokes, gimcrack sexuality and gratuitous violence, made [redacted] performers look [redacted] they certainly [redacted] – objects [redacted] prurient [redacted] and [redacted] inane laughter the audience [redacted] them. It is wholly unworthy.

Spring Collection is supported by Northern Telecom Europe

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight, Fri: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Brahms, Bruch and Wagner, [redacted] violin [redacted] Igor Oistrakh. Tomorrow: Teresa Berganza song recital. Thurs, Sun afternoon: [redacted] Chailly [redacted]nducts Royal Concertgebouw Orchestra in Hindemith, Diepenbrock, Honegger, Stravinsky and Rakhmaninov. Sat afternoon: [redacted] conducts [redacted] Philharmonic Orchestra in Schreker, Birtwistle and Suk, with piano soloist Joanna MacGregor. [redacted] evening: Antonio Pappano conducts Orchestra and Chorus of the Brussels Monnaie in concert performance of Verdi's Otello, with Alexei Steblianko and Charlotte Margiono (020-671 [redacted])
Beurs van Berlage [redacted]: Ward Swingle directs Netherlands Chamber Choir in a programme entitled Swingle and Berio. Sun afternoon: Abdel-Rahman El-Bacha plays Beethoven piano sonatas (020-627 0466)
Muziektheater Tomorrow, Sun [redacted] Hartmut [redacted] conducts Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schmiege (in repertory till [redacted] 24). Fri: [redacted] night [redacted] Dutch National Ballet mixed bill, choreographies by Petipa, Tetley and [redacted] in repertory till [redacted] 2 (020-625 5455)

ANTWERP

deSingel Tonight, Thurs, Sat: Prazak Quartet plays string quartets by Smetana, Dvorak and Janacek. Feb 11, 18, 25: Steve Lacy, jazz saxophonist. Feb 15: [redacted] Zacharias plays Beethoven. Feb 19: concert performance [redacted] (03-248 3800)

BASLE

Stadtcasino Tomorrow, Thurs: Horst [redacted] conducts Basle Symphony Orchestra in Dutilleux's [redacted] un monde lointain (cello soloist David Geringas), [redacted] by Borodin and Liszt. The orchestra has an open rehearsal today at 7pm, at which [redacted] speak [redacted] his music (061-272 1176)

BRUSSELS

Palais des Beaux Arts Tonight: Philippe Herreweghe [redacted] La Chapelle Royale and Collegium Vocale in a Mendelssohn programme. Thurs, [redacted] Pappano conducts [redacted] Chorus of the Monnaie in concert performances of Verdi's Otello, with Giuseppe Giacomini in [redacted] (repeated in Amsterdam [redacted] 13, Paris Feb 15, Charleroi Feb [redacted] and Antwerp Feb 19). Thurs (Conservatoire): Mikhail [redacted] piano recital. Fri: Alexander Rahbari conducts Belgian Radio Orchestra in works by Wagner and Bruckner. Feb [redacted] Olaf Bär [redacted] (02-507 8200)
[redacted] e [redacted], Judith [redacted] adaptation of Monteverdi, opens on Sat in [redacted] production conducted by Anne Manson and staged by [redacted] Repeated Feb 13, 15, 17, [redacted] (02-[redacted] 1211)

CHICAGO

MUSIC
■ Radu Lupu is piano soloist with Chicago Symphony [redacted] on Thurs, Fri afternoon, [redacted] Tues. The programme, conducted by Daniel Barenboim, consists of [redacted] by [redacted] Schoenberg. Yevgeny Svetlanov [redacted] Symphony [redacted] on [redacted] (312-435 [redacted])
■ The final two weeks of Chicago Lyric Opera's season are [redacted] to La traviata, Wozzeck and Tosca. June Anderson stars in the Verdi. [redacted] is [redacted] production [redacted] Franz [redacted] and Waltraud Meier. Tosca is sung by Maria Guleghina (312-332 [redacted])
THEATRE
■ The Don Juan Project: eight [redacted] on [redacted] of [redacted] – from [redacted] Juan in Hell to a new feminist [redacted] Till [redacted] Repertory (312-327 [redacted])

GENEVA

Victoria Hall Tonight: [redacted] Pletnev piano recital (022-310 9193)
Grand Théâtre Tomorrow, Sat, next Tues and Fri: Fidelio with [redacted] Malfitano and Thomas Moser. Sun: Samuel Ramey song recital (022-311 2311)

THE HAGUE

AT&T Danstheater Tonight, tomorrow, Thurs, Fri, Sat: My Fair Lady, the Lerner and Loewe musical sung in English (070-360 4930)
Dr Anton Philipszaal Tomorrow: Dufy Quartet and friends play works by Copland, Stravinsky and Britten. Thurs: Blanca Uribe piano recital. Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Honegger, Stravinsky and [redacted] Sat evening, [redacted] afternoon: Jerzy Maksymiuk [redacted] Philharmonic Orchestra in Cherubini, Mozart, [redacted] and Tchaikovsky, with violin soloist [redacted] Zehetmair. Next Mon: Jean-Jacques [redacted] Chamber Orchestra in Arensky, Shostakovich and Borodin (070-360 9810)

VIENNA

Staatsoper Tonight and Fri: Tosca with Maria Ewing, Sergei Larin and [redacted] Thurs: annual opera ball. Sat: ballet mixed bill. Sun next Wed: L'elisir d'amore with Alfredo [redacted] Mon: Il barbiere di Siviglia. Feb [redacted], 24, [redacted]: Lucia di [redacted] with Edita [redacted] (51444 [redacted])

WASHINGTON

■ [redacted] Lopez [redacted] Symphony [redacted] in works by Ginastera, Bruch and Schumann on Thurs, Fri and Sat [redacted] Kennedy [redacted] Hall.
Minnesota Orchestra gives a guest concert with Edo de Waart on Sat at 5pm. Isaac Stern and friends give a [redacted] (202-467 4600)
● Washington Opera presents [redacted] auf [redacted] and Dominick Argento's The Dream of Valentino this week at Eisenhower Theater, and then takes [redacted] two-week break (202-416 7800). Feb 17, 18, 19: Washington Ballet. Feb 22[redacted] Paul Taylor Dance Company (202-467 4600)
● James DePriest conducts [redacted] Symphony [redacted] in popular overtures on Fri, Sat and Sun [redacted] Joseph Meyerhoff Symphony Hall (410-783 8000)

THEATRE
● Shakespeare for My Father: Lynn Redgrave's award-winning [redacted] in which [redacted] uses [redacted] Bard to better understand her late [redacted] Redgrave. Till Feb 27 at Ford's Theater (202-347 4833)
■ Miss: [redacted] premiere [redacted] Richard [redacted] in Alabama and South Africa, about a journalist's [redacted] to expose [redacted] woman's earlier role in racial violence, while struggling with his own ghosts. Till Feb [redacted] at [redacted] Theater (703-524 7672)
● A Small World: world premiere [redacted] Mustapha [redacted] comedy-thriller with magical coincidences. Opens at Kreeger Theater on Fri (202-488 3300)
■ The [redacted] Arthur Miller's drama [redacted] family [redacted] the price [redacted] life's choices and the need to communicate and confront feelings. [redacted] outstanding production directed by Joe Dowling. Till Feb 27 at Arena Stage, Kreeger Theater (202-488 [redacted])
■ [redacted] are Alive and Well: a new mu[redacted] revue combing G&S songs with [redacted] events. [redacted] Interact Theater Company production at Omni Shoreham Hotel (202-745 1023)

ZURICH

Opernhaus The main event this month is a new production of [redacted] Alcina, staged by Jürgen Flimm and conducted by Nikolaus Harnoncourt, with [redacted] including [redacted] and Rodney Gilfry (next performances tomorrow, Fri and Sun). Repertory includes Die Zauberflöte [redacted] Raymonda. Alban Berg Quartet gives a [redacted] Mon (01-262 0909)
Tonhalle David Zinman, [redacted] Orchestra's principal conductor-elect, conducts four [redacted] week, featuring [redacted] by Haydn, Stravinsky and Schumann. Maurice André is trumpet [redacted] with Zurich [redacted] Orchestra on Sat and Sun (01-261 1600)
[redacted] Domingo gives [redacted] popular concert tonight, accompanied by Berne Symphony Orchestra (01-212 0800)
Theaterhaus Gessnerallee Feb 18-26: Peter Brook's English-language production of The Man Who, based on the book by Oliver Sacks (01-221 2283)

ARTS GUIDE

Monday: Berlin, New [redacted] and [redacted]
Tuesday: Austria, Belgium, Netherlands, [redacted] Chicago, Washington.
Wednesday: France, Germany, [redacted]
Thursday: Italy, [redacted] Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

[redacted] European Time)

MONDAY TO FRIDAY
[redacted] FT Business Today 1330; FT [redacted] Tonight 1730, 2230

MONDAY
Super Channel: FT Reports [redacted]
TUESDAY
Euronews: FT Reports 0745, 1315, 1545, [redacted] 2345
WEDNESDAY
Super [redacted] FT Reports 1230
THURSDAY
Super Channel: FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Lisa Wood on partnerships to spur UK economic development

Many into one will go

For the past two months the telephones have been ringing almost non-stop [redacted] Kent County Council. Inquiries are pouring in about a radical plan to transform the way publicly funded support for business is delivered within the county.

In the first proposal of its kind, the council would merge its £3.5m-a-year economic development unit – which pro[redacted] support for business – with Kent Training and Enter[redacted] Council, one of 82 private [redacted] in England and Wales [redacted] by the government [redacted] improve [redacted] skills. This trail-blazing plan [redacted] mean [redacted] pub[redacted] handing over [redacted] roles [redacted] a promoter [redacted] physical [redacted]tion to the private [redacted].

The [redacted] promoted by Sir [redacted] Morton, co-chairman [redacted] Eurotunnel and chairman [redacted] the Tec, is [redacted] yet assured, though agreement [redacted] in principle [redacted] a new [redacted] chosen. Tough negotiations [redacted] host [redacted] prickly [redacted] remain – such [redacted] the [redacted] councillors' influence in setting future economic priorities.

While [redacted] approach [redacted] sparked [redacted] interest, it has also [redacted] vigorous attitude [redacted] partnership [redacted] public and private [redacted] displayed by many county councils [redacted] Tecs. A recent report by Professor [redacted] Bennett, [redacted] School of Economics, [redacted] Tecs appeared generally to [redacted] "floundering in the [redacted] economic development".

When the government [redacted] up [redacted] and [redacted] Enterprise Companies, [redacted] equivalents, in [redacted] bring greater [redacted] in delivering [redacted] local business. The Tecs, which [redacted] administer government training [redacted], would [redacted]lish partnerships with public [redacted] and other local [redacted] to spearhead a grassroots industrial strategy.

[redacted] far the achievements are modest, though some [redacted] have devised imaginative schemes. Devon and Cornwall, for instance, has set up a West Country Development Corporation, [redacted] public-private partner[redacted] designed [redacted] produce an overview of [redacted] needs.

This example [redacted] the [redacted]tion [redacted] the norm. So what is to [redacted] incremental changes are required, learning from the [redacted]sons of the first three years," said Mr Howard Davies, director-general of the Confederation [redacted] Industry, which [redacted] presented its own shopping [redacted] reforms. [redacted] problems identified by the CBI [redacted]

■ Inflexible [redacted] bureaucratic budgets. The government [redacted] marks [redacted] the Tecs' [redacted] year [redacted] funding for [redacted] programm[redacted] involving training [redacted] unemployed, stimulating in-company training and fostering economic development. [redacted] are unable [redacted] tap [redacted] they [redacted] precise [redacted] and conditions [redacted] the contract.

The budget [redacted] could [redacted] the [redacted] months. [redacted] are set [redacted] into [redacted] with the government [redacted] funding – and [redacted] say they could sustain budget cuts if they had more flexibility.

■ Confusion [redacted] and [redacted] departments work with [redacted] there [redacted] been [redacted] and conflicting [redacted] priorities. [redacted] government has said [redacted] should pay more [redacted] to their enterprise role – but such [redacted] only command a [redacted] funding.

The government [redacted] some way to [redacted] this problem. From April, [redacted] institutional changes could [redacted] significant impact [redacted] nomic regeneration.

First, 10 Integrated Regional [redacted] are to be created, combining [redacted] local departments [redacted] environment, transport, employment and [redacted] industry. The inten[redacted] bring coherence [redacted] government [redacted] regional level.

Second, [redacted] part of this change, 20 existing pro[redacted] for [redacted]tion and economic development will have their funding pooled within [redacted] single regeneration budget, [redacted] administered locally by [redacted] 10 IROs. According to Mr David Hunt, employment secretary [redacted] the Tecs' main paymaster: "The old patchwork quilt of initiatives will become, as it were, a seamless [redacted] at the local level."

For the first time, bodies that traditionally bid for [redacted] funds, [redacted] local authorities, will be obliged to involve the private sector – in other words, the Tecs. Mr Hunt said last week: "We need to see effective local partnerships coming forward [redacted] take full advantage of [redacted] potential these new developments have for local regeneration. These partnerships will only succeed in winning funding for their initiatives if the private sector is fully involved."

[redacted] the changes will be in co-ordinating local economic plans remains [redacted] moot point. But big opportuni[redacted] are being offered [redacted] those Tecs [redacted] able to [redacted] their contribution – [redacted] instance, how many young [redacted] they can retrain to work [redacted] construction project.

Demonstrable [redacted] will be slow, however. For while the government trumpets that [redacted] total amount of the single [redacted] in 1994-95 will [redacted] £1.4bn, only £100m has not yet been allocated.

Mr Hunt announced [redacted] second big [redacted] by the government, which last [redacted] the [redacted] light [redacted] with chambers of [redacted]merce. Mergers between the [redacted] organisations [redacted] one [redacted] the main recommendations [redacted] Prof [redacted] report. [redacted] only could they result [redacted] turf wars [redacted] provision of [redacted]vices, they would also provide [redacted] with broader [redacted] business community.

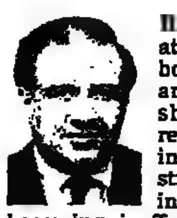
[redacted] such [redacted] point [redacted] at [redacted] government reorganisation [redacted] prompting [redacted] rethink of [redacted]vices. "The Tec [redacted] provide stability [redacted] change," [redacted] Sir [redacted] Morton. "Together [redacted] develop quite [redacted] formidable develop[redacted] agency."

But are [redacted] changes enough to strengthen local [redacted]nomic planning? Mr Amin Rajan, an employment consultant [redacted] recently completed [redacted] study [redacted] Tecs, [redacted] "The [redacted] probably [redacted] has [redacted] enough [redacted] cli[redacted] in which [redacted] partnerships can [redacted] made. But, [redacted] are still question marks [redacted] that will [redacted] sufficient. There is [redacted] lot of ground to be covered before [redacted] the local players reach agreement on who [redacted] what."

The proposed [redacted] and the fact that [redacted] may start to merge with chambers of commerce, indicates a will[redacted] and private [redacted] work more closely together. But the relationships will take time to formulate, and the integration of [redacted] planning could be frustrated unless the inflexible conditions [redacted] funding are loosened and they acquire more freedom to act where and how they see fit.

Joe Rogaly

An island swathed in fog



[redacted] relationship with both Europe and the US should [redacted] rethought. [redacted] is inchoate, unstructured [redacted] in danger of becoming ineffective. These strictures [redacted] Bosnia alone, although our record there, right up to yesterday's belated consideration of [redacted] strikes, [redacted] to [redacted] inglo[redacted].

The problem [redacted] deeper than in the tragic rubble [redacted] former Yugoslavia. There [redacted] to [redacted] UK foreign policy as a [redacted]. For the foundations [redacted] which [redacted] has [redacted] for [redacted] half-century [redacted] begun [redacted] crumble. [redacted] no empire, [redacted] European identity and [redacted] special relationship. The Commonwealth has [redacted] quaint [redacted] past. [redacted] securely [redacted] heart of Europe nor reliably in [redacted] again begun [redacted] obscure the view [redacted] Channel. Worse, it [redacted] lately begun [redacted] Atlantic.

[redacted] first. The [redacted]ment will fight [redacted] the European parliament [redacted] platform con[redacted] with [redacted] single purpose [redacted] preserving the unity [redacted] Conservatives. [redacted] precise phraseology; what will [redacted] conveyed [redacted] the [redacted] is [redacted] formerly proud party of Europe is, for the time being, [redacted] party [redacted] doubts about Europe. [redacted] not [redacted] itself wicked. There [redacted] a respectable case [redacted] for reducing [redacted] the [redacted] Commission, promoting [redacted] devolution [redacted] as many functions as possible [redacted] nation states, and facilitating enlargement of the union until not only the [redacted] and [redacted] also the for[redacted] colonies of the former Soviet empire are included.

In negotiating [redacted] subsequently ratifying the Maastricht treaty, Mr John Major skilfully rehearsed arguments in favour of all these propositions. The prime minister did [redacted] that the manifesto [redacted] the Liberal Democrats, to [redacted] published [redacted] morning, [redacted] "democratic, decentralised and [redacted] Europe" with heavy [redacted] on the [redacted] of [redacted] from Brussels [redacted] national, regional [redacted] local authorities. Mr Major did not quite [redacted] up the latter point. In [redacted] Tory mind, subsidiarity [redacted] Whitehall. To [redacted] opposition parties, [redacted] devolution is [redacted] for [redacted], it is even better for London. There is also a difference of language. The Lib Dems [redacted] quite happy to describe [redacted] structure as "federal". With [redacted], this will infuriate Conservative na[redacted] Euro-sceptics. They fear [redacted] quintessentially European word.

The recent outbursts of xenophobia will diminish Mr Major's administration in American eyes

[redacted] of course another, possibly larger, Conservative [redacted]. Tory Christian [redacted]crats favour active participation in whatever is happening on [redacted] continent. [redacted] articulate member [redacted] grouping is the trade [redacted] industry secretary, [redacted] chap some [redacted] beginning to tip for [redacted] run [redacted] the [redacted] prime minister. In *The Challenge of Europe*, published in [redacted], Mr Michael Heseltine [redacted] that "there [redacted] those [redacted] fear [redacted] in moving [redacted] to Europe, Britain will lose her identity. On [redacted] contrary, [redacted] within Europe [redacted] will find [redacted] much greater one." We [redacted], he concluded, "persuade [redacted] that Britain's national [redacted] will be [redacted] only by the determined building up of a stronger, closer Community". Will [redacted] Heseltine campaign on such [redacted]

Somebody has to. Mr Peter Lilley, [redacted] usually intelligent cabinet minister, has derided [redacted] European nationals as social security [redacted]. Mr Michael Portillo, another, has said that all foreigners cheat in their exams. [redacted] has made [redacted] absurd remark more often than [redacted] apology [redacted] for. [redacted] should watch [redacted]. Single injudicious speeches killed the leadership hopes of [redacted] previ[redacted] Tory liberals of his stripe – the then [redacted] Joseph and the unfortunate Mr John [redacted]. A British government that aspires to [redacted] influential on the continent [redacted] such silli[redacted] con[redacted]. The [redacted]tion is whether Mr Major [redacted] the political strength to put [redacted] stop to it. The omens are [redacted] good. Britain's present [redacted] to [redacted] European [redacted] is, shall [redacted] say, [redacted]tain. [redacted] all Europeans corrupt, centralising bureaucrats, [redacted]

[redacted] look [redacted]. The [redacted] of xenophobia will [redacted] Mr Major's adminis[redacted] in American eyes. This [redacted] of greater significance than [redacted] week's diplomatic flurry [redacted] admission [redacted] Mr Gerry [redacted] the [redacted]. To be sure, it appears [redacted] no love lost [redacted] Bill Clinton's gung-ho [redacted] entou[redacted] and the Tories, but [redacted] is not of historic significance. The important point [redacted] Britain's objections [redacted] Adams [redacted] well understood, and found to be of less [redacted] than immediate [redacted]tic politics. [redacted] may [redacted] an example of either turpitude or ineptness in the [redacted] House, but it [redacted] nevertheless telling.

The US [redacted] becoming more concerned with Pacific than European affairs. When it [redacted] focus [redacted] the old continent, it looks for strength and [redacted] it in Germany and France. It [redacted] allies with an aspiration towards European union, which it [redacted] not discern in London.

During [redacted] the 20th century Britain [redacted] adept at juggling alliances, making friends and influencing events – in foreign office language, "punching above its weight". It is something English diplomats traditionally do very well. The consequent remnants of the glory years are [redacted] recounted. Britain remains a nuclear power, although to what diplomatic advantage is unclear. It still [redacted] on [redacted] Security Council, although [redacted] prudent punters would bet on it retaining this for another decade. It [redacted] in Nato, although [redacted] organisation [redacted] for is unclear. It remains [redacted] Group [redacted] Seven, [redacted] many-alphabeted European [redacted] and, until 1997, Hong Kong. [redacted] Britain's ability [redacted] influence [redacted] depends upon [redacted] making bilateral [redacted], here with [redacted], there with the French, there again with the Germans.

Since the end of the cold war [redacted] politicians [redacted] have been confused about foreign policy. The disorienta[redacted] Britain's perception of [redacted] global [redacted] doubtless [redacted] in equivalent debates in Washington, Bonn and, [redacted] but admit it, even [redacted]. But [redacted] intellectual anchors. The US has [redacted] obligations of a superpower; [redacted] Europeans [redacted]. Britain [redacted] only uncertainty. It must think again.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. [redacted] be clearly typed and not hand [redacted] set fax for [redacted]

Waste is the price we have to pay

From Professor R.H. [redacted]

Sir, John Willman came close [redacted] summarising the cur[redacted] the public services in [redacted] UK ("Tidal wave of dirty water", February [redacted]) but [redacted] diverted from [redacted] point.

Everyone [redacted] in implementing the radical changes [redacted] years knows that, [redacted] *nature*, they have [redacted] the opportunities [redacted] waste, extravagance and fraud. Everyone involved also knows that the changes have, by [redacted]temporary criteria, improved the management [redacted] some parts of [redacted] public services.

[redacted] no one [redacted] knows [redacted] whether the improvements will be enough to compensate for the increased fraud. It is this ignorance that has created so much resentment. In the absence of any evidence that the changes would be beneficial, we had no choice but to have blind faith in zealots.

Talk of stemming the flow of dirty water, by briefing managers better, is double-talk. The only ingenuous response [redacted] the tidal wave [redacted] policy-makers, Canute-like, [redacted] demon[redacted] openly [redacted] nothing can [redacted] done.

This hardly seems likely. But it [redacted] not [redacted] that waste, extravagance and fraud are part of the price we will necessarily continue to pay.

Rowan Jones,
professor of public [redacted] accounting,
Birmingham Business School,
University of Birmingham,
[redacted]
[redacted] 2TT

Jargon adds to the meaning

[redacted] Mr [redacted] M. Carlile.

Sir, While [redacted] should applaud Lucy Kellaway's tirade against the murky [redacted] management jargon ("Time [redacted] walk the talk", February 4) please mind the baby. She is wrong [redacted] sneer [redacted] companies which have partners rather than suppliers: partners is a plain word, and companies which turn ordinary suppliers into partners enjoy [redacted] and quality-effective [redacted] relationship.

A workforce which "buys into" [redacted] new initiative does much [redacted] than accept it. The commitment which comes from the involvement of the workforce [redacted] initiative work, [redacted] mere accep[redacted] not. By all means find [redacted] more felicitous phrase, but [redacted] not [redacted].

David M. Carlile,
1 Dinglewood Close,
Coombe Dingle,
Bristol BS9 2LL

Slovenia offers role model for Ukraine's links with Russia

[redacted] Mr Henry [redacted]

Sir, In your editorial, "Europe's next flashpoint" (February 3), you suggest [redacted] relationship [redacted] Germany and Austria as [redacted] future relationship [redacted] Russia and Ukraine. The analogy [redacted] me. [redacted] countries [redacted] totally independent from each other, linked now only by the schilling [redacted] tied [redacted]. [redacted] should [redacted] to [redacted] than [redacted].

A [redacted] analogy for future Russian-Ukrainian [redacted] is [redacted] Austrian-Slovenian relationship. [redacted] history, [redacted] was [redacted] small and [redacted] part [redacted] Austria. [redacted] it is independent, and the two peoples [redacted] cross back and [redacted] their [redacted] without [redacted] passport – feeling perfectly [redacted] home in either [redacted]. Slovenia is [redacted] democratic, [redacted]perous and progressive country. Its [redacted] thriving. The [redacted] countries [redacted] closely linked, on [redacted] mutual respect.

If Ukraine can evolve in the same direction vis a vis Russia, it will be doing very [redacted] indeed.

Henry Owen,
1616 [redacted] Street, NW,
Washington DC 20006, US

Rover: the cultural cost

[redacted] Ms [redacted]

[redacted] someone involved in Anglo-Japanese cross-cultural training, I am appalled by the lack of sensitivity of Britain's captains of industry, politicians [redacted] media with regard [redacted] Japanese position in the disastrous affair [redacted] the BMW acquisition of Rover.

The differences in business and cultural practices between Japan and [redacted] significant, and our training centre [redacted] Japanese [redacted]mitment [redacted] trying [redacted] understand the way in which we operate. This [redacted] strategy [redacted] obviously unmatched by the British, [redacted] continue to operate with typi[redacted] British arrogance and short-termism.

From [redacted] Japanese perspective it is [redacted] that [redacted] 15-year relationship [redacted] mutual help and [redacted] coupled with an "in principle" [redacted] "gentleman's" agreement, would [redacted] ignored. From British Aerospace's perspective, the Japanese negotiation [redacted] dis[redacted] making process, so dif[redacted] from ours, may [redacted] misunderstood for [redacted] urgency and [redacted].

The government, caught [redacted] EU and [redacted] Japanese inward investment, did nothing, [redacted] having spent [redacted] showing [redacted] about [redacted] in attracting Japanese funds. Lord Young [redacted] instead [redacted] tell us we should be proud [redacted] being used [redacted] cheap labour by the Germans.

Nobody [redacted] seriously discussing the appalling economic, political and diplomatic impli[redacted] what is probably a [redacted] but will become an unforgettable [redacted]tionary tale in Japan.

Elsa Ducker,
director,
Selnate Co,
5 Worcester Street,
Gloucester Green,
Oxford OX1 2BX

Romantic view of cloning

[redacted] Dr Simon L. [redacted]

Sir, Professor Robert Edwards accepts (Private View, January [redacted]) molecular biology cannot address problems such as "brain" [redacted] "intelligence" – [redacted] objects to "cloning" [redacted] existing or [redacted] people. But [redacted] have always been [redacted] us. Identical twins [redacted] clones. [redacted] the [redacted]-cell stage of embryogenesis the embryo splits and the [redacted] cells implant individually.

[redacted] no one [redacted] suggesting that identical twins are sinful [redacted] ethically unsound. So cloning [redacted] OK, [redacted] long as it [redacted] natural. New-age romanticism [redacted] head [redacted].

People [redacted] protect their individuality, [redacted] biological truth is that we [redacted] to all intents and [redacted] identical. Even something as odd [redacted] gorilla or chimpanzee is [redacted] than 99 [redacted] to us [redacted] molecular level. We are simply tuned [redacted] recognising [redacted] small [redacted]ences.

Presuming we [redacted] artificially clone people, a genetically identical group of humans would [redacted] *people*. No [redacted] would Einstein's monozygotic [redacted] Ben [redacted] he [redacted] have simultaneously [redacted] theory of relativity with Einstein himself.

To pick [redacted] example, a [redacted] Hitler [redacted] not, [redacted] outside influences, [redacted] likely [redacted] paint houses and [redacted] Jews, Slavs [redacted] gypsies.

The environment [redacted] the person. The genes simply [redacted] the structures which respond to the environment.

Simon L. Goodman,
E Merck,
Postfach 41 19
6100 Darmstadt 1,
Germany

Reward only demonstrated talent

From Mr Julian Burnett.

Sir, [redacted] remuneration [redacted] put firmly [redacted] in [redacted] public eye. At the [redacted] this subject [redacted] the need [redacted] under[redacted] what executives are there [redacted] Edward Lawler [redacted] (Management: "New logic [redacted] here [redacted] stay", January 28), the [redacted] people [redacted] justifies their pay.

Executives need [redacted] add [redacted] shareholder [redacted] – hence Reuters' scheme ("Pioneering [redacted] Reuters", February 1). Unless executives' rewards are tied [redacted] quality of their decisions in satisfying this need, [redacted] should not [redacted] surprised that they can earn more money while company performance stagnates or [redacted].

PA Consulting Group's [redacted] survey on executive rewards [redacted] that [redacted] executives who actively subscribe [redacted] the [redacted] executive pay should be closely aligned [redacted] interests are from companies with [redacted] market to book ratio 50 per [redacted] higher than [redacted] where shareholder interest [redacted] not [redacted] significant determinant of executive pay. Other results from the survey indicate [redacted] simplistic orthodoxy [redacted] "paying the market rate" goes [redacted] in [redacted] with significant under-performance.

Shareholders should only pay for [redacted] talent, not the hope [redacted] illusion of tal[redacted]. Such [redacted] makes the best choices in the allocation of the company's financial, human and technological resources. The tragedy [redacted] that good executives have inadequate incentive to utilise their talents [redacted] the full.

Executive remuneration will remain a [redacted] until it [redacted] firmly based [redacted] demonstrated added value. Something-for-nothing share options and other paraphernalia of the current orthodoxy do not satisfy this criterion.

Julian Burnett,
PA Consulting Group,
123 Buckingham Palace Road,
[redacted] *SW1W* [redacted]

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 [redacted] Telex: [redacted] Fax: 071-407 [redacted]

Tuesday February 8 1994

Arms and the dam

The full story behind Britain's decision [redacted] give £234m in [redacted] help build [redacted] Malaysian [redacted] has not been divulged. [redacted] there have [redacted] sufficient revelations to [redacted] concerns [redacted] the government's enthusiastic [redacted] tion of the arms trade, the use of [redacted] budget and [redacted] apparent willingness [redacted] own [redacted]

Ministers continue [redacted] deny [redacted] mal link between aid for the Per[redacted] hydro-electric dam and [redacted] temporaneous [redacted] with Malaysia in the late 1980s. But Mr Douglas Hurd, [redacted] foreign secretary, [redacted] been [redacted] to admit [redacted] original protocol [redacted] to "aid in support of non-military aspects". Though the Malaysians [redacted] that [redacted] not be formally linked to military [redacted] fact [redacted] parallel [redacted] continued on [redacted] the [redacted] makes it hard to believe that there [redacted] informal connection.

Linking [redacted] military [redacted] might [redacted] against [redacted] law. But it [redacted] government aid guidelines which ban such *quid* [redacted] and similar international guidelines drawn [redacted] by [redacted] Organisation [redacted] Co-operation and Development.

[redacted] quite apart [redacted] the apparent link between the Pergau project and the arms deal, [redacted] already [redacted] that [redacted] guidelines have [redacted] breached. [redacted] because grants under the UK's Aid and Trade Provision are supposed to be used only for economically [redacted] projects. Ministers were [redacted] by Sir Timothy Lankester, then permanent secretary [redacted] Development Administration, that [redacted] Pergau dam [redacted] uneconomic and would [redacted] Malaysian [redacted] paying [redacted] for their electricity.

Ministers have justified their behaviour on the grounds that they [redacted] promoting Britain's interests. Mr Hurd [redacted] with Pergau because [redacted] commitment had [redacted] by Lady Thatcher, who negotiated the [redacted] prime minister. To renege on the contract would have been "very damaging to trade".

Similarly, Lord Younger, [redacted] secretary [redacted] time, [redacted] said: "Great Britain plc [redacted] of all this [redacted] well." Not only [redacted] defence industry profited out [redacted] £1bn [redacted] deal. Other industries have won contracts with Malaysia, following the country's reversal of its decade-long "Buy British Last" policy.

Two Commons committees are now investigating this affair. Part of their goal will obviously be to dig out the facts. Was there a formal link between the arms deal and aid for Pergau? Have ministers misled parliament? Is there any connection between the Pergau affair and allegations that the government suppressed evidence in a criminal case against a Malaysian banker to prevent embarrass[redacted] the Malaysian govern[redacted] Why [redacted] Malaysian government [redacted] with the Pergau project given [redacted] it [redacted]

Yet MPs should not stop here. They must also debate [redacted] of public policy. How enthusiastically should Britain be promoting arms exports? Should the aid budget be used to boost even non-military exports? Would it be better to have a separate "slush fund" explicitly devoted to promoting exports or [redacted] even that be a waste of taxpayers' money? What, in fact, is the purpose of the aid budget? If the Pergau dam affair leads to honest debate of these questions, it will have served a useful [redacted]

Northern front

Mr Martti [redacted] was [redacted] president of Finland on Sunday. [redacted] experience [redacted] a senior UN diplomat should [redacted] in useful at a turning-point in [redacted] foreign [redacted]

If all goes well, Finland will be a member of the EU next year. Like [redacted] three [redacted] (Austria and Sweden), [redacted] tradition of neutrality; and like the third (Norway), which belongs [redacted] Nato, [redacted] border with [redacted] Enlargement will thus have important implica[redacted] the [redacted] common foreign and security policy (CFSP). All four countries are under [redacted] to commit [redacted] to joining [redacted] Western European Union (WEU), [redacted] EU's defence arm but also the "European pillar" [redacted] Nato.

They are keeping their options open. Finland [redacted] said [redacted] will [redacted] decision only after holding [redacted] referendum [redacted] EU membership. [redacted] popularity [redacted] the neutral tradition in [redacted] ries that have it, and the deep suspicion of all things [redacted] onal in Norway, it would not [redacted] surprising if they opt, [redacted] to begin with, for observer status in WEU – as Denmark and Ireland have done among existing EU members. But Mr Dick Spring, the Irish foreign minister, has already warned his compatriots this may not be a tenable long-term option. Ireland, he pointed out in a speech before Christmas, will have to preside over the conference to revise the Maastricht treaty in the second half of 1996, which will see a big effort to adopt a common defence policy, linked explicitly to the Atlantic alliance.

That would be a big change for former neutrals to adjust to, and it will be understandable if not all of [redacted] prepared [redacted] make [redacted] at [redacted] Ideally [redacted] the enlarged EU should eventually [redacted] linked to Nato. Until that is possible, [redacted] least the link between Nato and WEU should be carefully preserved. Otherwise, states which belong to both organisations will be in the awkward position of giving a guarantee to their fellow WEU members, with which the US would not be associated. Those members or would-be members of the EU that are not yet prepared [redacted] opt clearly [redacted] ship should content themselves with [redacted] status in WEU.

Un-floating

[redacted] from [redacted] lending in the British finan[redacted] was one [redacted] ofound institutional changes [redacted] from the inflationary [redacted] ence [redacted] the [redacted] and 1980s. ere are now signs of a move in opposite direction, notably in mortgage [redacted], where fixed terest lending [redacted] gradually gthening in maturity. What [redacted] implications [redacted] financial [redacted] ity and [redacted] workings of [redacted] y policy?

he widespread use of floating e debt contracts was a natural [redacted] by creditors [redacted] unantici[redacted] inflation. [redacted] effect, [redacted] proled the banking system from risk inherent in borrowing rt and lending long [redacted] ries about uncertainty [redacted] future price [redacted] passed the borrower. The instinctive umption about [redacted] implications the UK, where the ratio of sehold [redacted] stands at nearly 60 [redacted] of GNP, might [redacted] would respond more rap[redacted] changes in [redacted] in oating [redacted] environment.

hat, indeed, [redacted] the argument [redacted] in a paper on [redacted] in UK [redacted] structure in [redacted] forthing [redacted] England Bulletin. it puts [redacted] case for an equal opposite [redacted] there [redacted] ificant increase in the private or's use [redacted] debt, ling that interest [redacted] could creased quickly, but at [redacted] the private sector. [redacted] past rience [redacted] that the mony transmission mechanism be [redacted] complex.

rtainly in the [redacted] first [redacted] the 1980s, the shift to [redacted] appeared, if anything, [redacted] the monetary system [redacted] responsive to central bank discipline than under fixed rates. A combination of deregulation and the growth of the swaps market inevitably meant that a bigger change in interest rates was required to bring about a given shift in demand. In the UK, where floating rate mortgage borrowing plays a more important part in the monetary transmission mechanism, swaps are unavailable to the personal sector. But the impact of deregulation on the housing market meant that it took an exceptionally big rise in base rates from 7.5 per cent in May 1988 to 15 per cent in October 1989 to knock house prices on the head in the early 1990s. While the Bank's paper claims to [redacted] impressed by [redacted] speed [redacted] market response, it felt remarkably [redacted] both then and now, [redacted] the inflationary psychology [redacted] long to adjust.

How far the maturity of fixed rate lending will continue to extend is a moot point. The Bank's paper hints, very plausibly, that the personal sector may not yet have developed an appetite for long-term fixed rate assets, after the inflationary losses of the past. Nor are the banks and building societies likely to be anxious to abandon the competitive advantage they derive from floating rate retail deposits – although their ability to hedge against mismatched maturities is enhanced by the growth of hedging instruments. But if the process does continue, there is a clear message for the tradeable goods sector: it will bear more of the brunt of any future effort to control inflation because monetary policy will work increasingly through the exchange rate.

Jitters below a calm surface

John Gapper on the potential impact of the Banesto affair on other Spanish banks

A [redacted] red banner bearing [redacted] figure eight [redacted] percentage sign [redacted] one [redacted] Santander's [redacted] tower in the Madrid [redacted] district. [redacted] advertises the [redacted] shot in [redacted] mortgage "wars" [redacted] Spanish banks [redacted] the past year. "The larg[redacted] trading [redacted] in Spain," [redacted] one banker, gesturing [redacted] banner [redacted] window.

The [redacted] competition [redacted] banking business [redacted] problem facing players in what [redacted] the world's [redacted] prof[redacted] banking [redacted] A second, potentially larger problem emerged a month [redacted] when [redacted] of Spain [redacted] ment [redacted] Español de [redacted] (Banesto). The central [redacted] put together [redacted] plan [redacted] (£2.9bn) "hole" [redacted] balance sheet.

[redacted] plight [redacted] has [redacted] questions [redacted] – [redacted] ticularly [redacted] Hispano, which, [redacted] equity [redacted] in [redacted] companies. "Until [redacted] full explanation [redacted] happened at Banesto, [redacted] logical to ask [redacted] other [redacted] will [redacted] next," [redacted] Mr Robin Monro-Davies, [redacted] aging [redacted] of IBCA, [redacted] London-[redacted] ratings agency.

[redacted] problems emerged [redacted] Bank of Spain inspectors [redacted] of [redacted] over-valued. [redacted] provisions [redacted] by [redacted] against [redacted] equity holdings were not worth as much as [redacted] This was despite regular inspections [redacted] of Spain, [redacted] monitoring by Banesto's adviser, [redacted] US [redacted] JP Morgan.

[redacted] observers, however, [redacted] was [redacted] special [redacted] run by Mr [redacted] Conde, a colourful [redacted] by [redacted] banks; [redacted] expanded [redacted] loan [redacted] very [redacted] between [redacted] 1991; it [redacted] heavily exposed [redacted] Spain's [redacted] sion; [redacted] margins [redacted] deposits [redacted] loans [redacted] it fought [redacted] share.

"Banesto [redacted] an exceptional bank, [redacted] problems [redacted] have a big knock-on effect on others," says Mr Julian Hollis, an analyst [redacted] Warburg, [redacted] London-[redacted] investment bank. [redacted] point to steady profits reported by other banks for 1993. "The high-quality Spanish banks achieved quite a creditable performance last year," says Ms Sheila Garrard, of securities house Lehman Brothers.

Not surprisingly, directors of other Spanish banks agree that the sector is in a good state. Santander last week reported a 17.8 per cent rise in after-tax profits to Pta77.9bn. Mr Juan Inciarte, chief executive, says the fact that banks have maintained profits in the midst of recession indicates their strength. "The basic profitability of Spanish banks is without question," he says.

The strength of Spanish banks has enabled them to survive the first shocks created by Banesto's problems. But, in spite of the optimism of many observers, the longer-term impact could still be dam[redacted]

The plan to clean up and re-capi[redacted] Banesto (see accompanying article) could affect other banks in three ways.

First, they will [redacted] to [redacted] contributions to the deposit guaran[redacted] fund – the [redacted] which [redacted] contributions from [redacted] country's banks to insure deposits – to compensate for the Pta285bn the fund will spend on acquiring Banesto assets. The drag the fund has on banks' earnings had been easing since the last banking crisis; now it will grow.

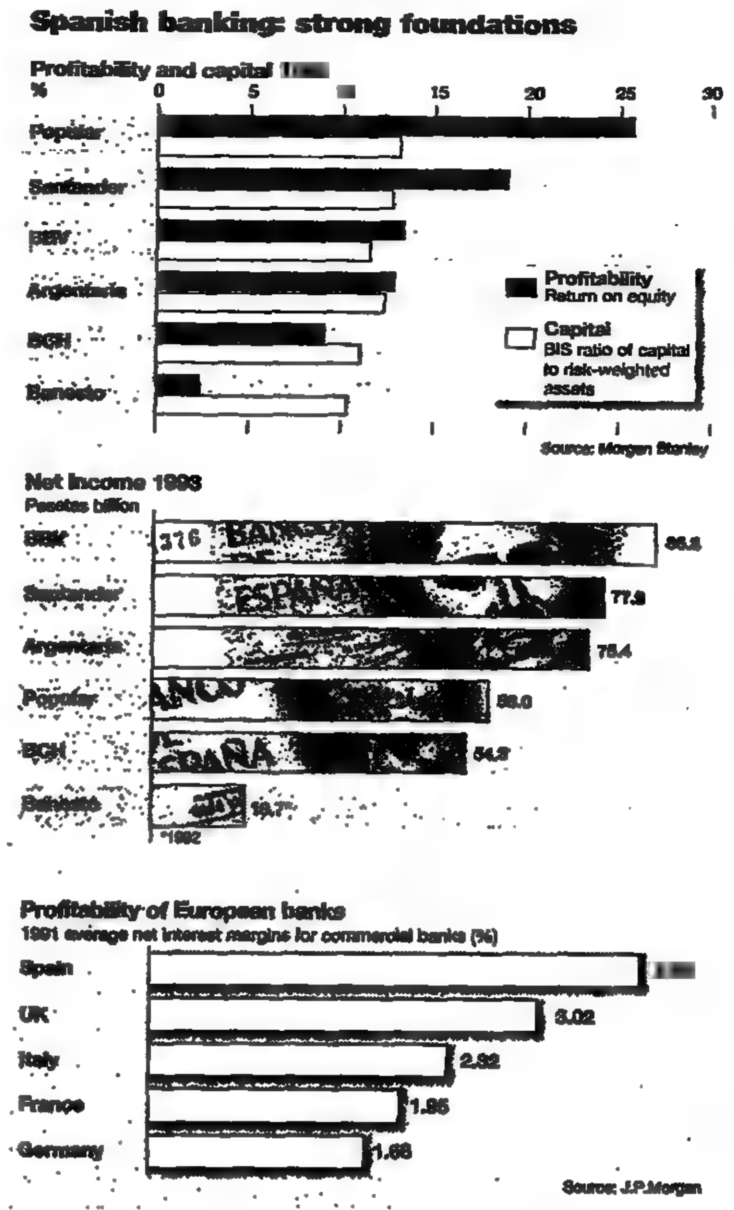
The second effect is that banks have been asked by the Bank of Spain to contribute to a Pta180bn rights issue, buying shares which eventually they will try to sell. The banks could gain from this investment, but if Banesto's difficulties are not solved by the latest recapitalisation, it may have to be rescued again through a takeover. Each of the large banks faces the risk of being prodded into saving Banesto by the central bank.

The third effect is less direct. One reason why estimates of Banesto's difficulties have varied markedly is that it is impossible to determine an exact market value of any bank's smaller loans and assets. Banks gradually adjust the value of their assets over economic cycles by making – and sometimes reducing – provisions against bad debt.

Because Banesto's assets were so suddenly devalued, some observers believe other banks may be galvanised into taking a more conservative view of their own loans. "When one bank is declared sick, then others start to re-examine their assets, and some are liquidated," says Mr Carlos Martinez de Campos, Barclays Bank's director of European retail banking.

The effects would have to be very large to weaken the other private banks significantly. Through their large branch networks, Spanish banks have gathered cheap deposits from unsophisticated rural customers. They use these funds to make personal and small business loans at relatively high interest rates.

Until Santander broke an informal cartel in 1989 by offering interest-bearing deposit accounts, this ensured one of the highest net interest margins (the profit margin on lending and deposit taking) of any banking market. The banks were also forced by the Bank of Spain to [redacted] high capital ratios, [redacted] conservative provisions against loan [redacted] The [redacted] tion led [redacted] high returns [redacted] strong capital.



But the Banesto incident comes at an awkward time [redacted] Spanish banks. The sector has been suffer[redacted] the consequences of one of the country's deepest post-war recessions. This has pushed the ratio of problem loans to its highest point since the banking crisis of the late 1970s, during which 50 banks had to be bought and refloated by Spain's deposit guarantee fund.

There are other uncertainties facing Spanish banks:

● Competition has increased both for loans and for deposits. Santander's latest mortgage campaign follows similar deposit "wars". This has eroded the net interest margin of the top Spanish banks from 4.6 per [redacted] in 1988 [redacted] 3.2 per cent in 1992. The fact that [redacted] margin in [redacted] and Germany is below [redacted] per [redacted] indicates the potential for [redacted] continuing [redacted]

Mr Hollis [redacted] SG Warburg [redacted] that banks [redacted] on margins as customers shop around [redacted] The [redacted] may in turn [redacted] at protecting their margins by using financial derivatives, such as options, but it [redacted] likely to [redacted] losing battle. "The thing you [redacted] guarantee [redacted] that margins will erode as customers [redacted] more sophisticated," [redacted] Mr Hollis.

■ The Bank of Spain's effectiveness [redacted] supervisor [redacted] been put under scrutiny for the first time since [redacted] banking crisis, when it [redacted] widely perceived to have been lax and ineffective in monitoring banks. Since then, it has generally been [redacted] so rigorous [redacted] investors could trust Spanish banks' [redacted] their asset value.

Following the 1970s banking crisis, [redacted] central [redacted] has built up a [redacted] of 160 inspectors. Spain has [redacted] signed [redacted] drawn [redacted] by the Basle-based committee of international bank supervisors because it prefers [redacted] rules. "International [redacted] not high enough. They [redacted] imprecise," says one official. This iconoclastic approach will [redacted] under greater scrutiny from investors.

■ [redacted] bank's [redacted] not [redacted] their traditional lending and deposit business; trading income [redacted] also under pressure. Banks maintained their earnings [redacted] because they [redacted] able to gain [redacted] from other [redacted] – for instance by increasing earnings from foreign exchange and capital [redacted] operations. Reductions in short-term interest rates also [redacted] the value [redacted] their bond portfolios.

But such earnings will not [redacted] this year. Mr [redacted] Garay, director of [redacted] Chemical Bank in Spain, [redacted] gained enormously from [redacted] four percentage point fall in short-term interest [redacted] in [redacted] This year, they will [redacted] forced [redacted] depend on [redacted] banking operations. "I think this is going to be a very hard [redacted] banks," [redacted]

[redacted] in other countries have responded [redacted] by cutting [redacted] through reductions in branches [redacted] the potential for [redacted] limited. Although Spanish banks have large branch networks, they typically employ relatively [redacted] in each branch. Furthermore, strict labour [redacted] make [redacted] difficult for [redacted] dis[redacted] compulsorily.

[redacted] made [redacted] banks look forward to the end of [redacted] in the sector [redacted] survived [redacted] upset, but it could be sapped by [redacted] further [redacted] on revenues and [redacted] For [redacted] moment, banks have [redacted] being [redacted] with the same brush [redacted] period [redacted] not be indefinite.

A question of value

For the past week, Mr Alfredo Saenz [redacted] engaged [redacted] argument. [redacted] acting [redacted] of [redacted] de [redacted] (Ban[redacted] has [redacted] trying [redacted] they think.

Mr Saenz's effort seems odd to an outsider, given [redacted] chairmen try to [redacted] the opposite. [redacted] of Banesto [redacted] daily occurrence in Madrid [redacted] Bank [redacted] intervened on [redacted] 28 to [redacted] install Mr [redacted] team.

The [redacted] the [redacted] management [redacted] shareholders [redacted] apparent last [redacted] when Banesto's [redacted] were refloated after being suspended at [redacted] (£9.47p) [redacted] of the intervention. Mr Saenz's plan to restore the bank to health, and absorb an [redacted] Pta605bn over-valuation [redacted] assets, [redacted] a write-down of the nominal value of shares – [redacted] in the [redacted] – [redacted] Pta700 to [redacted]

But Banesto shares yesterday closed at Pta760, placing the market capitalisation at well over Mr Saenz's estimate. This demand indicates that either investors think Banesto was not in as bad a shape as the authorities claimed – or they believe the rescue plan makes it a good investment.

Either way, the differing valuations could spark a more serious dispute between participants in the proposed rescue. These include [redacted] itself, [redacted] other [redacted] banks being asked to contribute, and existing [redacted], who face a big dilution of their shares.

The most significant investor is the [redacted] Fund, the $1.1bn fund managed by the US bank J P Morgan, which advised Banesto's former [redacted] $175m in a [redacted] of [redacted] Pta1,900 each last summer. [redacted] stake would lose value [redacted] in the rescue plan.

If Banesto's shareholders approve, the bank will be recapitalised via a Pta180bn issue, with new shares priced at the new nominal value of Pta400. The deposit guarantee fund, which uses contributions from the country's banks to insure deposits, will acquire close to 80 per cent of Banesto's equity, and that held by existing shareholders will be diluted.

The deal is structured to encourage the banks to take part in a [redacted] aspect [redacted] plan. [redacted] banks will help remove poor loans with a written-down [redacted] of Pta285bn [redacted] Banesto's balance sheet. They and the Bank of Spain will each provide half that amount.

But [redacted] existing [redacted] may object to the part of the plan involving a dilution of their stakes. Because the capital increase will come via a share placing with the deposit guarantee fund rather than a rights issue, existing shareholders will be unable to take part.

Some are thought to be taking legal advice on how they might challenge the plan. They could question the deposit guarantee fund's right to underwrite a capital increase by itself or its right to issue new shares at a nominal value well below current trading levels.

Under the terms of the rescue plan, [redacted] fund will [redacted] auction [redacted] Banesto stake [redacted] year, and will keep a tranche of this sale for a "strategic buyer". This [redacted] likely to be a large bank, which could end up controlling between 20 and 30 [redacted] of [redacted]

Banesto's existing shareholders will, in theory, [redacted] able [redacted] their rights to buy shares in this auction. But it is unclear [redacted] price they will be asked to [redacted] for keeping [redacted] of [redacted] has [redacted] the "strategic buyer" will [redacted] pref[redacted]

Another point of contention could be how Banesto [redacted] to be sold to the banks and the Bank of Spain. Because [redacted] loans may turn out to be worth more than Banesto estimates, shareholders may try to ensure [redacted] do [redacted] benefit excessively.

These tensions will come [redacted] the [redacted] of [redacted] meeting on March 26. Unless Mr Saenz has by then succeeded in talking down the value of shares, there will be substantial potential for conflict between Banesto, its existing shareholders and Spain's other large banks.

Tom Burns

OBSERVER

The chips are down

■ A university [redacted] is an unlikely place to decide the future [redacted] a big [redacted] McCain brothers, controllers of the potato-chip and frozen-food company which bears their name, have hired the University [redacted] New Brunswick's conference centre to sort out a dispute over who should succeed them as chief executive.

The McCains and their lawyers have booked the entire centre, which [redacted] 11 meeting [redacted] a [redacted] – being heard by a [redacted] judge – [redacted] already [redacted] under [redacted] and is likely to continue for at least another week or two. Whoever loses is expected [redacted] appeal.

Proceedings are [redacted] But [redacted] that [redacted] the parade of business-star witnesses will be that well known Mr Fix-it, Sir Graham Day, ex-chairman of British Aerospace, Rover, Cadbury Schweppes, PowerGen, [redacted] Shipbuilders etc, etc...

Day, [redacted] an office in a local Halifax law firm, declines to say whose side he takes, though he knows both Harrison and Wallace well. But since Wallace is said to have closed his case last week, it looks like Day will be speaking up for Harrison who is trying to fight off his younger brother's efforts either [redacted] split McCain's in two or buy the rest of the family's shares. Either way, someone's going to get frozen out.

Small arms

■ [redacted] will [redacted] Niels Ersboll, the suave Dane who since 1980 has served as secretary-general of the European Council, the top diplomatic job in Brussels? At 67 he is already past retirement, though he has twice had his term extended.

Front-runner is thought to be Philippe de Schoutheete, Belgium's ambassador to the European Union and *eminence grise* behind the recent successful Belgian presidency. But Jürgen Trumpf, formerly German ambassador to the EU and now [redacted] top Bonn bureaucrat, has also thrown his [redacted] the ring.

[redacted] Germans [redacted] they get a raw [redacted] it comes to [redacted] highest levels of international institutions, with the juiciest plums often falling to the French or the British. But when they send people like Martin Bangemann, [redacted] they only have [redacted] to [redacted]

Adrenalin junkie

■ The odd thing about Ian Martin's decision to get into bed with Wall Street deal-makers Kohlberg Kravis Roberts is that he's not making [redacted] clean break with Grand Metropolitan, where he has been

'It doesn't seem fair that foreigners should buy A-levels when our own prime minister hasn't got any'

chief wheeler-dealer for nearly [redacted] decade.

Ever since he lost out to George Bull in the race to succeed Sir Allen Sheppard as chief executive, Martin has looked underemployed. He turned down [redacted] chairmanship of one [redacted] it [redacted] enough [redacted] keep "his adrenalin running" and is now hoping to [redacted] a lot of money doing what [redacted] does best – sorting out underperforming businesses with the help of KKR's wealthy [redacted]

However, he seems to have ruled out any involvement in the food and drink industry he knows so well [redacted] remains a [redacted] employee. Martin [redacted] reluctant to be drawn on how long [redacted] on [redacted] payroll, [redacted] hints it will be as long as Sir Allen Sheppard remains chairman. Surely Sir Allen [redacted] that [redacted] might make a [redacted] himself by bidding for some of GrandMet's less flattering parts?

Worms turning

■ Funny how [redacted] of Tory MPs wax and wane. [redacted] months back they were up in arms [redacted] over-regulation [redacted] hotels [redacted] boarding houses. Socialist [redacted] authorities, they [redacted] were strangling them with [redacted]

But now Michael Heseltine has agreed [redacted] add many of the rules [redacted] his planned red-tape bonfire, the same MPs [redacted] come up with another problem. Too many small hoteliers in Bournemouth and Bridlington are allegedly lowering the tone of the resorts by letting out their rooms to social welfare claimants.

[redacted] there [redacted] a solution, oh [redacted] tougher regulation by local authorities.

Fat tome

■ One big problem faces Finland's new president, Martti Ahtisaari – will he be able to use the recently built library in the new official presidential [redacted] in Helsinki?

The library's [redacted] obviously subscribes to the myth that all [redacted] are slimline, [redacted] their predilection for winter sports. The spiral stairway to the library's top floor [redacted] correspondingly narrow.

But [redacted] amply proportioned Ahtisaari admits that the only form of sport [redacted] enjoys is taking a sauna. Will he be able to squeeze his [redacted] up the stairs? [redacted] thinks he will – so as long as he takes a deep breath.

But which [redacted] president [redacted] time for reading anyway?

Unfathomable

■ [redacted] Byatt, the [redacted] industry regulator in charge [redacted] Ofwat, seems to have sunk the industry's finest with his outfit's latest missive, which attempts [redacted] a benchmark [redacted] operating efficiency. "[redacted] have whole [redacted] of technicians working on this and even they don't understand it," wails one water company chief executive.

Ofwat wants the companies to apply [redacted] something called "heteroscedasticity", using models [redacted] "stochastic [redacted] frontier". Boffins are stumped and even Ofwat hints that these are deep waters. Its letter adds: "The bottom line [redacted] that the estimated decompositions of the error variance for the models... are very different and hence not too much reliance should be placed [redacted] them." Sure thing.

FINANCIAL TIMES
Tuesday February 8 1994

Japanese coalition fails to agree over tax cuts

By William Dawkins [illegible] Tokyo

Japan's seven-party coalition [illegible] a *compromise* [illegible] how to fund tax cuts to stimulate [illegible] economy yesterday, undermining prospects [illegible] the US-Japan summit at [illegible] this week.

Exhausted [illegible] members [illegible] Tokyo *agreed* [illegible] *talks* [illegible] morning after four rounds of [illegible] sion brought them [illegible] prime minister Morihiro Hosokawa's plan for [illegible] Y6,000bn ($55.5bn) [illegible] year tax cut, [illegible] by [illegible] *controversial* new 7 per cent tax [illegible] goods and [illegible] from 1997.

Mr [illegible] from [illegible] hard evidence [illegible] Japan's plans [illegible] cut [illegible] growing current account surplus [illegible] he [illegible] US president Bill Clinton in Washington [illegible] Friday. The surplus rose by 11.7 per [illegible] $117.55bn in [illegible] $131.35bn last [illegible] the finance ministry said.

Mr Yohei Kono, president of the opposition Liberal Democratic party, [illegible] on [illegible] Hosokawa [illegible] live up [illegible] his tax-cutting *promise or* [illegible] *power. The* government "cannot [illegible] sweeping political [illegible] without [illegible] co-operation [illegible] LDP." Mr [illegible] said, "but we [illegible] reluctant [illegible] extend support since the *government* [illegible] *indecisive.*"

The powerful [illegible] ministry [illegible] equally [illegible] for [illegible] before Mr [illegible] for [illegible] US, not [illegible] avoid [illegible] risk that he will unilaterally [illegible] Clinton an [illegible] cut, [illegible] Mr Minoru Morita, [illegible] political commentator in Tokyo. Mr [illegible] asked the ministry yesterday [illegible] help [illegible] a compromise.

The proposed [illegible] the centrepiece [illegible] Y15,100bn *economic stimulus,* [illegible] Mr Hosokawa's announcement of [illegible] so-called "welfare tax" [illegible] in [illegible] ranks.

[illegible] finance ministry supports Mr Hosokawa's insistence that any [illegible] must [illegible] plan [illegible] fund [illegible] revenue, preferably not through [illegible] permanent [illegible] in government borrowing. Yet [illegible] party, the [illegible] largest partner, [illegible] for [illegible] now, [illegible] by a two-year [illegible] period in which [illegible] funding.

Figures announced yesterday [illegible] reverse [illegible] downward trend in [illegible] surplus. The surplus [illegible] in dollar terms for three [illegible] running until November, [illegible] it [illegible] for [illegible] month, only [illegible] to $12.6bn in December, up [illegible] cent on December 1992. The [illegible] surplus alone [illegible] to $141.43bn [illegible] whole of [illegible] year, from $132.6bn in [illegible].

In yen terms, however, [illegible] current [illegible] surplus fell by [illegible] to Y14,610bn in [illegible], the [illegible] drop for three years.

The rise in December [illegible] demand for Japanese goods from [illegible] pick-up in the [illegible] and a [illegible] in [illegible] outflow of capital, [illegible] Mr Geoffrey Barker, [illegible] economist at Baring [illegible] Tokyo. When [illegible] Japanese [illegible] Japan's surplus should [illegible] again, he [illegible].

[illegible] gloomy [illegible] for [illegible] Japanese [illegible] yesterday by [illegible] first year-on-year drop in lending recorded by Japan's biggest 11 commercial banks since their industry association started records 40 [illegible] ago. Their loans outstanding [illegible] by 0.7 per [illegible] Y222,160bn in January, from [illegible] month [illegible].

Growing drugs bill, Page 4

German engineering wage talks break down

By Quentin Peel in Cologne

The prospect of an [illegible] strike in Germany's vital engineering industry came [illegible] step closer [illegible] negotiations for a "pilot agreement" [illegible] the state of *North Rhine-Westphalia* [illegible] down without [illegible].

Both sides accused each other of refusing [illegible] compromise in the talks, in which the employers [illegible] demanding absolute [illegible] cuts, while the union is seeking *guarantees of job security.*

The national [illegible] of IG Metall, [illegible] union representing 3.6m engineering workers [illegible] in Frankfurt today [illegible] next move. Calls for an all-out strike will be on [illegible] agenda.

However, [illegible] was [illegible] yesterday that neither [illegible] *precipitate outright* [illegible] an industry which has [illegible] running [illegible] than 30,000 [illegible] month for [illegible]. Most observers expect [illegible] urgent [illegible] to reach a compromise.

The national [illegible] of IG Metall and Gesamtmetall, [illegible] engineering employers' [illegible]*tion,* [illegible] *waiting* [illegible] of yesterday's negotiations, in [illegible] Maritim Hotel in Cologne, in [illegible] hope of [illegible] possible national [illegible] emerging. But [illegible] afternoon [illegible] emerged [illegible] declare: "There [illegible] pilot agreement."

"We have [illegible] off the talks without any result," said [illegible] Wrobel, *IG* [illegible] chief [illegible] in North Rhine-[illegible] no move to close the gap. Both sides [illegible] there was no point in [illegible].

"[illegible] are very bad," he [illegible] asked [illegible] the [illegible] strike.

[illegible] talks went ahead as token strikes continued, with 2,800 [illegible] stopping [illegible] briefly at [illegible] Robert Bosch [illegible] punkt [illegible] at Hildesheim.

The stumbling block is the need [illegible] find a trade-off [illegible] union demands [illegible] job security, and employers' insistence on real [illegible].

Yesterday's talks [illegible] on changes in working hours which might bridge the gap. Employers proposed [illegible] flexible "working time [illegible] *30 and* [illegible] hours [illegible] week, [illegible] allowing either a reduction or an [illegible] in [illegible] current 36 hour week.

THE LEX COLUMN

After the storm

The equity [illegible] initial storm [illegible] well. [illegible] yesterday afternoon Wall Street [illegible] its [illegible] up again. The UK [illegible] initial [illegible] with the [illegible] 100 [illegible] only [illegible] points, which still [illegible] it almost exactly [illegible] with [illegible] it ended [illegible] the [illegible] consolidating around DM1.76, it [illegible] though [illegible] might happen when [illegible] Federal [illegible] tighten [illegible] done. There was no sign yesterday of a [illegible] by private [illegible] US [illegible] that [illegible] fuelling international markets.

[illegible] equities [illegible] continue on a [illegible] upward path [illegible] matter. The [illegible] difference, particularly [illegible] over-heated [illegible] such [illegible] *Hong Kong.* Financial [illegible] had generally assumed [illegible] Fed [illegible] tighten during [illegible] *started,* [illegible] must [illegible] on [illegible] still [illegible] questions of [illegible] much [illegible] come and [illegible].

As they got over their initial shock, [illegible] yesterday were tending to the [illegible] the [illegible] may have lessened [illegible] much larger [illegible] later [illegible] would certainly curb the US recovery. By beginning a grad[illegible] *of tightening now* [illegible] instead prolong growth. That thought [illegible] comfort [illegible] equity markets, especially [illegible] in Europe which [illegible] forward [illegible]. The UK, [illegible] example, [illegible] not [illegible] hope of [illegible] index [illegible] 3,500 again [illegible] year. But much [illegible] on earnings living up to expectations. And markets everywhere will scrutinise [illegible] monthly US inflation more nervously than before.

US bonds

The [illegible] of [illegible] Treasury [illegible] for the [illegible] to push up [illegible] hand, [illegible] grateful that the Fed did not choose to move [illegible]. If [illegible] had [illegible] stuck with the $11bn [illegible] 30-year debt due [illegible] be [illegible] Thursday, the fat [illegible] paid [illegible] might [illegible] had to [illegible] handed [illegible]. And with [illegible] slugs of three- and 10-year paper also being sold this week, the one-point fall in bond prices since the Fed announcement is probably [illegible] *suffi*[illegible] discount the risks, particularly since the US output gap has all [illegible] closed, and inflationary [illegible] will [illegible] absorb this year.

Against that, bond yields [illegible] from [illegible] before [illegible] Congress [illegible] week ago to over 6.40 now. The are [illegible] point [illegible] 5.75 per [illegible] reached [illegible]. Unless [illegible] January inflation [illegible] pro[illegible] nasty surprise, bonds [illegible] gather strength around 6.5 per cent.

There [illegible] also [illegible] *that the torrent of money flooding into* [illegible] mutual funds will [illegible] much because of [illegible] tiny rise in short rates. Early Fed [illegible] to curb inflation may [illegible] keep long yields down. Still, [illegible] cycle has finally turned, bonds will find it harder than equities [illegible] as much [illegible] progress.

Granada/LWT

[illegible] market turbulence [illegible] uncertainty [illegible] Granada's bid for LWT. But by itself it is unlikely to alter the outcome, despite the 3 per cent fall in Granada's shares. [illegible] the argument about [illegible] to stand on its own the moment it [illegible] lobbying the [illegible]ernment [illegible] change in the franchise [illegible] so that the industry [illegible] con[illegible]. A [illegible] LWT [illegible] particularly exposed now that Carlton and [illegible] grown [illegible] bigger.

With all [illegible] knights having seemingly [illegible] off their chargers, the battle boils down to a question [illegible] price. [illegible] market suggests [illegible] will have to raise its offer. The [illegible] per [illegible] in LWT's January advertising [illegible] supports that view. Gran[illegible] *will surely try to squeeze a* [illegible]mendation from LWT's board, but Granada's greater generosity still [illegible] likely [illegible] fall short of LWT's evaluation of its own worth. Arguably, LWT's [illegible] has been bolstered by MAI's [illegible] to [illegible] a price equiva*lent to 27 times Anglia's* [illegible] television earnings. But Anglia is a highly attractive television region with a growing and increasingly wealthy band [illegible] viewers. Its low franchise bid [illegible] it retains [illegible] higher proportion of advertising [illegible]. Granada will find *it* [illegible] *justify matching* that multiple, especially given [illegible] LWT is so far removed from Granada's borders and only broadcasts two and a half days a week. A more modest 10 per [illegible] increase in its offer may [illegible] sufficient [illegible] satisfy [illegible] market whether LWT approves or not.

Dalgety

Dalgety [illegible] insulated from [illegible] market price wars by [illegible] involvement in [illegible] farm sector and in [illegible] distribution in [illegible], its [illegible] suffered during the [illegible] half, [illegible] of [illegible] shortfall in [illegible] *of* [illegible] *Noodles.* Market share in crisps [illegible] bought only [illegible] the [illegible] of margin, and [illegible] has clearly been some anxious squawking in the Homepride hen [illegible] following Unilever's aggressive launch [illegible] Chicken Tonight. Even if [illegible] of [illegible] successful, such pressure [illegible] bound [illegible] continue.

That [illegible] *Dalgety stuck* [illegible] *a* reputation [illegible] limited scope for growth, which is reflected in its yield of over 5 [illegible] cent. [illegible] help that acquisi[illegible] will leave gearing close to 40 per [illegible] at the end of the year. Dalgety's latest purchases have pushed it [illegible] towards specialisation [illegible] farm business [illegible] in the European [illegible] food market.

The latter, [illegible] particular, may hold [illegible] growth prospects if continental owners can be persuaded to stop feeding their animals [illegible] dish up some real pet food instead. There may also be [illegible] opportunities in [illegible] ingredients sector [illegible] would [illegible] shift the emphasis [illegible] consumer [illegible] a history of [illegible] are concerned, *but it* [illegible] financing some [illegible] acquisitions by sales [illegible] its consumer [illegible] portfolio, even if [illegible] does involve throwing a [illegible] succulent [illegible] into the pot.

EU probes complaint on Aer Lingus fare pricing

By Tim Coone in Dublin

European Union [illegible] are investigating claims [illegible] unfair pri[illegible] Aer Lingus, the Irish [illegible] airline, [illegible] raid [illegible] the [illegible] on Friday in [illegible] were [illegible] and staff [illegible].

Officials from the competition [illegible] in Brussels [illegible] the [illegible] Dublin [illegible] office shortly [illegible] it opened. They pho[illegible] several hundred [illegible] documents and [illegible] managers and staff dealing with the airline's [illegible] and marketing policy.

[illegible] raid follows complaints [illegible] Aer Lingus's [illegible] structure by Ryanair, one of the state [illegible] main competitors on [illegible] Ireland-UK [illegible].

Ryanair's principal claim is [illegible] Aer Lingus which recently completed [illegible] painful and controversial restructuring, has sharply cut fares on [illegible] Dublin-Birmingham [illegible] since Ryanair introduced a new service on the route last October. Ryanair has lodged a series of complaints with the EU since the end of last year.

Ryanair, which has been a pioneer of cheap "no-frills" fares in *the busy Irish-UK market, says* Aer Lingus is selling below cost. Ryanair [illegible] plans last week to expand its Ireland-UK route [illegible].

The EU investigation comes just over a month after Aer Lin[illegible] its first tranche [illegible] I£75m ($108m), of I£175m in [illegible] equity from the Irish government, [illegible] *finance its* [illegible]ing. EU approval for the plan was given [illegible] December, but conditions were imposed, aimed at preventing Aer Lingus from using the government [illegible] to weaken [illegible] competitors.

Aer Lingus [illegible] recently intro[illegible] new lower fares on [illegible] UK [illegible] have eaten [illegible] Ryanair's [illegible] of the [illegible] end [illegible] the [illegible]. It [illegible] that fares on the Birmingham route had been reduced, but as part [illegible] "standardisation" [illegible] fares on all UK provincial services last month.

The [illegible] said its [illegible]*ing at the end of last year,* which has cut I£50m out of annual oper[illegible] costs, "has given us [illegible] new [illegible] structures". The company insists that the equity injection is being used solely for the restructuring and that its fare policy "fully complies with the EC treaty pro[illegible] competition".

The *EU* is expected [illegible] in [illegible] next two to three [illegible] on whether the complaints merit further investigation.

Aer Lingus was fined I£575,000 by the European Commission in February last [illegible] refusing to accept British Midland [illegible] on its flights, in [illegible] of an [illegible]ment [illegible] the [illegible] up in [illegible].

Sculley leaves Spectrum

Continued from [illegible]

price plummeted [illegible] down from Friday's [illegible] per [illegible] fall. Mr Sculley [illegible] he had [illegible] none of [illegible] options, [illegible] had [illegible] all options to acquire Spectrum stock.

According [illegible] Mr Sculley's lawsuit, however, Mr Caserta and [illegible] Spectrum [illegible] took advantage [illegible] price [illegible] he joined [illegible] huge profits on their own [illegible] options.

Mr Sculley [illegible] he was [illegible] the prospects [illegible] Spectrum's legal [illegible] dealings. He says he was [illegible] by [illegible] *that* [illegible] investigation by the Securities and Exchange Commission.

EU calls for end to siege

[illegible] from Page 1

and [illegible] which have troops on the ground. But Nato-con[illegible] strikes [illegible] already been authorised by the UN Security [illegible] which [illegible] not need [illegible] give fresh approval. However, yesterday *in Moscow,* [illegible] Kozyrev, Russian foreign minister, [illegible] the prospect that Rus[illegible] might block any further [illegible]sion in the security council to use air strikes.

"We will study each case but in principle we believe it [the air strike proposal] is the least successful way," Mr Kozyrev said. Russia is one of the five permanent members of the security council, *along with the US, UK,* France and China.

The EU declaration yesterday followed an intense debate.

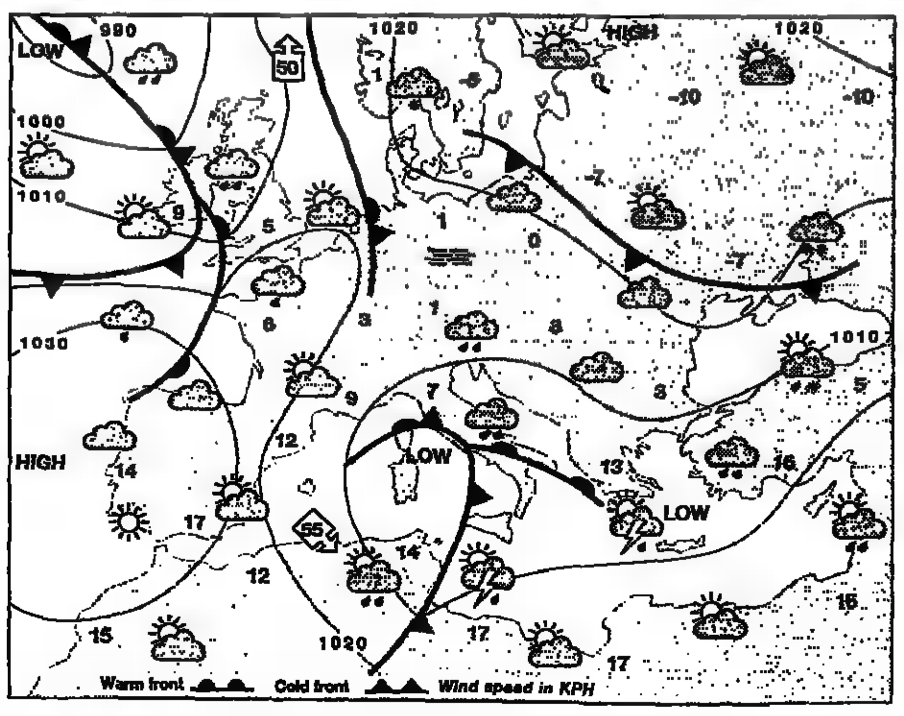
FT WEATHER GUIDE

Europe today

[illegible] and [illegible] will remain bitterly cold with temperatures between -10C and -30C. Western Russia and southern Scandinavia will be partly cloudy to overcast but mainly dry. Northern and eastern regions will have scattered cloud. Denmark and Poland [illegible] temperatures around [illegible] with cloudy [illegible] patches [illegible] light snow. Central [illegible] south-east Europe will [illegible] mostly cloudy. Germany and the Alps will have some rain with snow above 1,300m. Eastern [illegible] will [illegible] Northern Spain and southern Italy will be showery while southern Spain will stay dry with sunny periods.

Five-day forecast

It will remain very cold over Scandinavia and Russia, with temperatures well below freezing, but the cold air will not push south. The UK, the Benelux and France will be unsettled with rain or showers and some sunshine. It will [illegible] mild. [illegible] ridge of high pressure will bring sunny periods [illegible] Spain, the Alps and [illegible] Italy. Southern Italy and [illegible] will be [illegible] and [illegible]



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

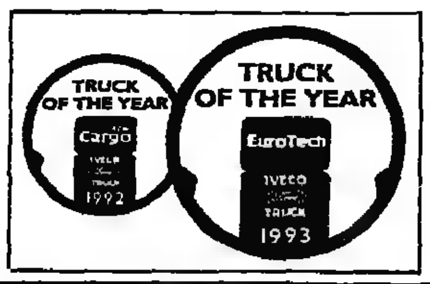
	Maximum		Belfast	rain	6	Cardiff	shower	6	Frankfurt	fog	3	Malta	shower	15	Rio	rain	25
	[illegible]		Belgrade	cloudy	7	Chicago	snow	-6	Geneva	[illegible]	[illegible]	[illegible]	rain	6	Riyadh	sun	24
Abu [illegible]	fair	23	Berlin	snow	0	Cologne	cloudy	5	Gibraltar	sun	17	[illegible]	cloudy	30	Rome	cloudy	12
Accra	[illegible]	[illegible]	Bermuda	shower	21	D' Salaam	sun	32	Glasgow	rain	5	Melbourne	shower	24	S. Frsco	fair	11
Algiers	rain	11	Bogo[illegible]	cloudy	20	Dakar	sun	24	Hamburg	fair	3	Mexico City	fair	21	Seoul	sleet	2
Amsterdam	fair	6	Bombay	sun	33	Dallas	fair	22	Helsinki	sun	[illegible]	[illegible]	sun	28	Singapore	shower	30
Athens	rain	[illegible]	[illegible]	fair	6	Delhi	hazy	23	Hong Kong	cloudy	22	[illegible]	fog	7	Stockholm	fair	-5
[illegible]	[illegible]	30	Budapest	cloudy	7	Dubai	fair	23	Honolulu	[illegible]	27	Montreal	fair	-12	Strasbourg	sleet	3
B.ham	rain	5	C.hagen	fair	1	Dublin	rain	7	Istanbul	rain	[illegible]	[illegible]	fair	-10	Sydney	fair	36
Bangkok	fair	[illegible]	[illegible]	fair	17	Dubrovnik	fair	13	Jersey	rain	7	Munich	snow	0	Tangier	fair	13
Barcelona	fair	12	[illegible] Town	fair	32	Edinburgh	rain	5	Karachi	[illegible]	[illegible]	[illegible]	sun	28	Tel Aviv	fair	15
Beijing	fair	[illegible]	[illegible]	cloudy	27	Faro	sun	15	Kuwait	[illegible]	20	Naples	shower	14	Tokyo	fair	14
									L. Angeles	shower	16	Nassau	fair	27	Toronto	snow	-8
									Las Palmas	[illegible]	[illegible]	New York	cloudy	-3	Tunis	shower	15
									Lima	cloudy	27	Nice	cloudy	12	Vancouver	fair	3
									Lisbon	[illegible]	13	Nicosia	shower	16	Venice	cloudy	8
									London	rain	[illegible]	Oslo	cloudy	-5	Vienna	rain	5
									Luxbourg	fair	3	[illegible]	fog	7	Warsaw	fog	-2
									Lyon	sleet	[illegible]	Perth	fair	26	Washington	rain	6
									Madeira	fair	17	Prague	snow	1	Wellington	shower	25
									Madrid	fair	11	Rangoon	cloudy	32	Winnipeg	cloudy	-17
									Majorca	windy	[illegible]	[illegible]	shower	3	Zurich	sleet	3

FINANCIAL TIMES

COMPANIES & MARKETS

©THE FINANCIAL TIMES LIMITED 1994

Tuesday February 8 1994



IN BRIEF

livetti rules out share issue

etti, [illegible] Italian information technology [illegible] 'absolutely no [illegible] for a rights issue this , even if it wins the licence to run a second onal cellular communications network, [illegible] o Mr Carlo De Benedetti, chairman. Page 22

on for European bond markets
yields and [illegible] potential for currency apprecia- are proving strong [illegible] for Japanese stors to switch into the European government markets, given that [illegible] on Japanese rnment [illegible] and US Treasury [illegible] ully low. Page 24

[illegible] Asia
George Soros, [illegible] US [illegible] and speculator, erday joined Peregrine Investments, a Hong g-based merchant bank, in the [illegible] of a fund to invest in Asian infrastructure projects. Page 25

[illegible] mining industry lacks mettle
perception of Russia as a treasure house [illegible] persisted for hundreds of years. [illegible] now clear is that most of the mining industry a pitiful state. Page 30

[illegible] given conflicting advice

Fed's move to tighten came at the end [illegible] which had seen sharp rises in world ity markets. But there were striking differences nalysts' views on the likely consequences on the game plans that investors should pt. Back Page

ant ahead 95% midway
[illegible] of Bryant Group, the UK [illegible], ped 95 per cent. Mr Andrew MacKenzie, chief cutive, said the improvement was [illegible] mainly strong performance from [illegible]. Page 27

tech investment trust to be launched
first UK [illegible] trust to specialise in echnology shares is [illegible] be launched Rothschild Asset Management. Page 27

al for Manchester City
chester City [illegible] Club intends to apply a London Stock Exchange listing. Page 29

hs and lows of dealing
ought deal means champagne or Valium for lers. Page 28

lgety suffers
ling sales of Pot Noodles and low pig prices back interim results at Dalgety, the UK food agribusiness group. Page 22

mpanies in this issue

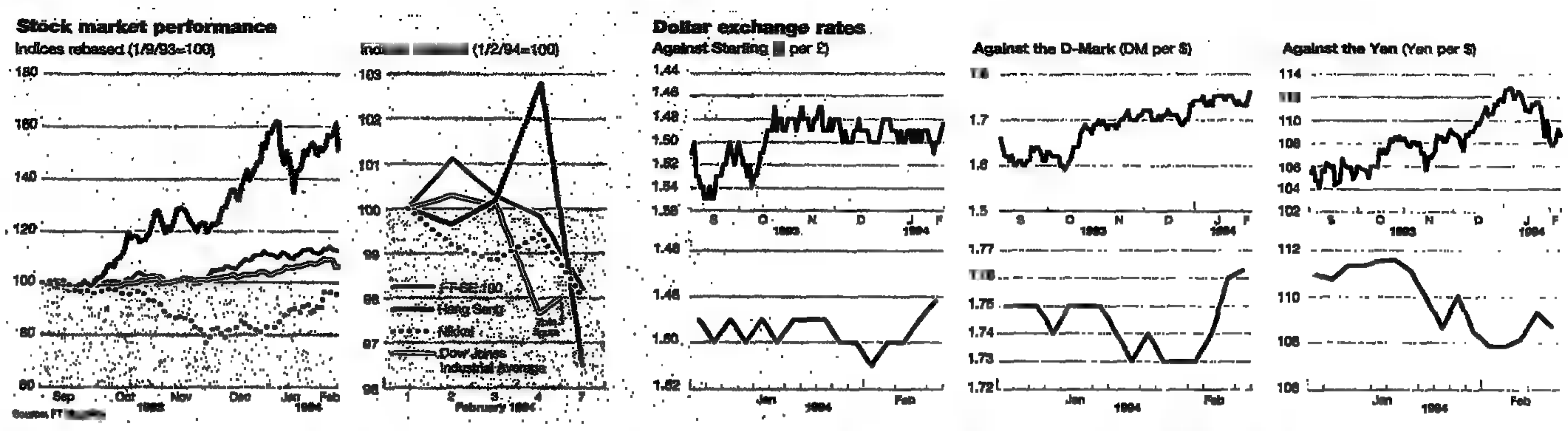
Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Berliner Kraft	331	–	14
[illegible] AG	247	–	10.5
Daimler-Benz	795	–	29
Dresdner Bk	405.2	–	19.8
Horten	232	–	13.5
Mercedes Hld	789	–	[illegible]
NEW YORK ($)			
Rises			
Alcoa	77¾	+	1⅞
Apple Computer	36	+	2¼
General Motors	[illegible]	+	1⅛
IBM	54	+	2¼
Walt Disney	46⅛	+	1⅛
Falls			
Chrysler	60¾	–	⅞
PARIS (FFr)			
[illegible]			
[illegible]	1474	+	22
Falls			
Bancaire Cie	651	–	21
Club Med	[illegible]	–	[illegible]
Paris Reescompt	563	–	22
[illegible]	[illegible]	–	17.4
Suez (Cie de)	[illegible]	–	14
TOKYO (Yen)			
[illegible]			
Ando [illegible]	[illegible]	+	[illegible]
Mamiya Op	[illegible]	[illegible]	80
Nomura	[illegible]	+	120
Origin Elec	577	+	47
Taito	569	+	[illegible]
Falls			
Nichibei Fuji	245	–	[illegible]

New York prices at 12.30pm

LONDON (Pence)			
Rises			
Blockleys	83	+	[illegible]
Brooks Service	75	+	5
Bryant	191	+	5
[illegible]	30	+	2½
[illegible] Grp	99	[illegible]	7
Euro Disney	378	+	13
Tiphook	63	+	2½
Falls			
Amstrad	44½	–	[illegible]
BOC	700	–	25
Bricom	155	–	7
De La Rue	918	–	30
Fitch	12	–	2½
Flextech	424	–	24
Granada	570	–	16
ICI	793	–	18
Lonrho	162	–	7½
[illegible]	32	–	3
Proteus	358	–	22
Savills	89	–	[illegible]
SmKl Beecham A	413	–	13
Woodchester	128	–	30

■ 'The Fed's move has had quite a significant psychological impact' ■ 'It might take time for investors to get their confidence back' ■ 'It does mark the end of the emerging market bubble'



Investors hold breath at signs of a turn

By Philip Coggan, Economics Correspondent

Although [illegible] no [illegible] of Black Monday panic on [illegible] yesterday, the Federal Reserve's decision to [illegible] may have marked a turning point.

"The Fed's move has had quite a significant psychological impact," according to Mr George Magnus, [illegible] economist at S G Warburg Securities. "It might take time for investors to get their confidence back."

The long rally in equity and bond markets has been fuelled by low interest rates. Investors, dissatisfied with the returns from cash, have moved into [illegible] financial [illegible]. In 1993, [illegible] poured [illegible] into [illegible] equities, in particular emerging [illegible].

Mr [illegible] Hughes, managing [illegible] of BZW [illegible] Economics and Strategy, said the rise in US short-term rates was not sufficient [illegible] money out of US equities and into [illegible]. But "it does mark the end of the emerging market bubble. [illegible] markets which are dollar-linked, such as Hong Kong, have taken a lot of loose hot money." The Hong Kong [illegible] market fell 8.1 per cent yesterday and [illegible] trading in London pointed to a further 3 per cent decline.

If US investors are tempted to [illegible] profits, Mr Hughes believes, it is likely to be from emerging markets, but they may only [illegible] money to Europe.

However, it is too early to tell whether US private investors, who have been pouring money into mutual funds, will take fright at the shift in investment [illegible] and attempt to [illegible] their holdings. That could trigger a sharp [illegible] in equities.

Another key question is whether the [illegible] move will [illegible] the Bundesbank. The dollar rose sharply against the D-Mark on Friday and some analysts argue that fear of a weakening D-Mark will prevent the Bundesbank from cutting rates. Indeed, Mr [illegible] Walter, [illegible] economist of Deutsche Bank, was quoted as saying in Washington that the German authorities might even raise [illegible] if the D-Mark [illegible] substantially. Such a move would be a threat to European bond and equity markets, which have [illegible] anticipating lower rates.

However, in a [illegible] note, Mr Gavyn Davies, chief international [illegible] at Goldman Sachs, said that [illegible] fundamentals, in particular declining inflation [illegible], were still likely to dominate in Europe. It was possible for interest rates to fall in Europe while rising in the US – [illegible].

Mr Hughes believes that the Bundesbank [illegible] to the real (inflation-adjusted) rather than the nominal exchange rate. [illegible] basis, the D-Mark [illegible] become overvalued during the 1992-93 Exchange Rate Mechanism crises and thus the Bundesbank may be happy to [illegible] a decline in the nominal rate.

The threatened market meltdown did not take place yesterday, but [illegible] and analysts are being forced to reconsider their views.

Lex, Page [illegible]; London equities, Page 42; world stocks, Page 39; bonds, Page 31; money markets, Page 33; S&P warning, Page 30.

Salomon Brothers world government bond index (Local currency)

Market	Index	1 day %	1 week %	3 months %	12 months %
[illegible]	260.37	-0.54	-1.21	0.65	[illegible]
Germany**	198.08	-0.11	-0.73	1.43	11.41
[illegible]	301.82	-0.62	-1.68	[illegible]	[illegible]
[illegible]	246.78	-0.34	-0.73	1.46	11.91

*Closing price Feb 4 **Close on Feb [illegible]

Metallgesellschaft board defended by banker

By David Waller in Frankfurt

The supervisory [illegible] of Metallgesellschaft [illegible] not at fault in failing to prevent events leading to the near collapse of the German mining, metals and industrial group [illegible] month, a senior banker said yesterday.

[illegible] Ellen Schneider-Lenné, a member of the [illegible] Bank management board, said this would become obvious at Metallgesellschaft's extraordinary meeting on February 24. Mr Ronaldo Schmitz, chairman of the supervisory board and and board member of Deutsche Bank, would then break his silence about the build-up to the December dismissal of Metallgesellschaft directors, including Mr Heinz Schimmelbusch as chief executive.

Ms Schneider-Lenné refused to give [illegible] what Mr Schmitz would reveal but maintained that the [illegible] affair "was not a question of the supervisory [illegible] going wrong". She expected Metallgesellschaft to act as a catalyst to a debate on corporate governance within Germany similar to that in the UK in the wake of corporate crashes in the late 1980s.

Ms Schneider-Lenné: advocating best Anglo-Saxon practice

Ms Schneider-Lenné, who is a non-executive director of ICI, the [illegible] group, said German companies could learn from [illegible] practice in the Anglo-Saxon world. Whereas German supervisory boards normally meet no more than four times a year, UK boards – including non-[illegible] – tend to meet 10 times a year.

Members of supervisory boards should devote more time to these [illegible] and should sit on fewer boards, Ms Schneider-Lenné argued. [illegible] hold up to [illegible] such directorships, but she has refused to take on more than four.

Supervisory board members should be aggressive in requiring managing board members to provide information, she added. There was also a case for establishing audit committees, as in the UK. The near failure of Germany's fourteenth-largest industrial group has led to criticism of Mr Schmitz and colleagues on the supervisory board who [illegible] to [illegible] his [illegible] for five years shortly before he was ousted.

Broader criticism has also been levelled against the German corporate governance system, which [illegible] responsibility [illegible] the management – taking the operating [illegible] – and the supervisory board – [illegible] management performance.

Dismissed chief talks, Page 22

Alusuisse in rights issue to finance Canadian takeover

By Ian Rodger in Zurich

Alusuisse-Lonza, the Swiss aluminium, chemicals and packaging group, is launching a SFr400m ($276m) rights issue to help finance its SFr610m [illegible] over of the Canadian packaging group, Lawson Mardon.

The [illegible], which [illegible] reducing [illegible] dependence on the aluminium business, [illegible] reported that consolidated 1993 net income and sales slid, as predicted. According to preliminary figures, net income was down 15 per cent to SFr80m on sales off 6 per cent at SFr6.2bn. However, the directors forecast "a significant improvement in group income in the current year" and proposed a maintained dividend of SFr12.50. In September, the chairman warned of a cut.

Mr Georges Schorderet, finance director, said the 1993 results were hit by SFr300m in restructuring costs. [illegible] had shut its only remaining aluminium smelter in Switzerland, as well as a silicon carbide plant in southern Germany. Yesterday it announced the closure of an aluminium smelter at Essen. The charges were offset by disposals.

Net debt was reduced during the year by SFr700m to SFr1.3bn, and Mr Schorderet said equity had risen to roughly SFr1.9bn, with the [illegible] of a light rights issue in May.

The public offer for Lawson shares had been very successful, he said. By mid-January, 98 per cent of all shares had been tendered. He wanted to arrange long-term financing for [illegible] while the equity market environment was positive and [illegible] rates were low.

The [illegible] would double annual sales of the group's packaging division to about SFr2.8bn, making the division account for more than a third of revenues. Terms of the rights issue are to be revealed on February 24.

The group's registered shares fell SFr24 to SFr610 yesterday in a declining market.

BASF and ICI agree £60m sale

By Daniel Green and Chris Tighe

BASF has agreed to pay about £60m ($90m) for ICI's polypropylene manufacturing operations, more than a year after the sale was proposed.

The deal marks the UK chemicals company's exit from European polypropylene manufacture and the German group's [illegible] tion [illegible] seventh [illegible] producer in Europe to number two.

The businesses, scheduled to be transferred on March 1, include plants at Rozenburg, Netherlands, and Wilton, in Teesside in the UK.

For ICI, the sale is part of a strategy to concentrate on business in which it has a strong global presence. As only the eighth biggest producer in Europe, with losses of about £20m for several years, polypropylene was ripe for disposal.

Nevertheless, the conclusion of the sale is only a partial success. ICI had wanted to swap the operations for BASF's acrylics business. That foundered in November when the two sides could not agree a price.

Mr John Newbold, Teesside district secretary of the Transport and General Workers' Union, the dominant union at ICI's Teesside plants, welcomed the sale. "Transition to BASF is the best possible move," he said.

Time Warner net income falls to $7m in 4th quarter

By Martin Dickson in New York

Time Warner, the US entertainment group, yesterday reported fourth quarter [illegible] income of $7m, down from $68m in the same period of last year, although the group's operating results were modestly better.

The [illegible] into earnings per share of 1 cent, compared with a loss of 25 cents in the same period of last year.

Time Warner's results are complicated by two factors. First, the merger between Time and Warner Brothers which created the company in 1989 involved the assumption of a very high level of debt. Therefore Time Warner encourages Wall Street to [illegible] on its earnings before interest, taxes, depreciation and amortisation (Ebitda).

Second, the company has reported its entertainment operations – which includes its film and cable interests – on a deconsolidated basis since September, when telephone group US West took a large stake in this business.

Time Warner said yesterday that in the fourth quarter combined Ebitda of the entertainment group and its other businesses totalled $760m, up 3 per cent from the $740m reported in the same period of last year, while revenues rose from $3.76bn to $4.12bn.

The group's publishing interests saw earnings up from $132m to $146m, while [illegible] music operations made $215m, [illegible] $196m a year ago.

Within the entertainment group, earnings from films dipped from $101m to $96m, although the Warner Brothers studio posted a record quarter.

Earnings [illegible] HBO [illegible] channel rose from $56m to $61m. However, the group's cable service business, the second largest in the US, saw earnings drop from $255m to $242, which [illegible] blamed on new cable [illegible] regulation.

Mr Gerald Levin, chairman, said: "While our cable business will continue to be under pressure in 1994 from this regulation, we remain optimistic about its future growth and that of our copyright businesses."

For the full year, Time Warner reported a net loss of $221m, after taking a $70m special tax charge, against a profit of $86m in 1992.

On a combined Ebitda basis, revenues rose from [illegible] to $14.54bn, while earnings rose from $2.62bn to $2.83bn.

Suez chairman confirms modest profit for year

By Alice Rawsthorn in Paris

Mr Gérard [redacted] chairman of Suez, the French industrial and financial holding com[redacted], has confirmed that it [redacted] the [redacted] with a "modest" profit last year *after making its* [redacted] 1992.

[redacted] surrounded by speculation about the possible disposal of Victoire, its insurance subsidiary, fell into [redacted] red with [redacted] net [redacted] FFr1.87bn [redacted] 1992 due to [redacted] economic recession and its heavy [redacted].

Mr Worms said Suez's [redacted] would be "positive, but modest". The group, which was badly affected in [redacted] by [redacted] downturn in the French property market, had attempted last year [redacted] the [redacted] on its [redacted] by raising capital from [redacted] sales.

However, the continued *problems* [redacted] *property market* in 1993 wiped out the prof[redacted] from [redacted] large disposals. This included the [redacted] controlling interest in Colonia, the German insurer, to Union [redacted] Paris (UAP), [redacted] French insurance [redacted].

Mr Worms said [redacted] should mark "a new [redacted] in [redacted] return [redacted] profitability" but predicted [redacted] would [redacted] return to "a satisfactory level of profitability" until [redacted].

He said [redacted] ing the end of [redacted] programme, but declined [redacted] on recent reports that it was [redacted] concluding [redacted].

BAT, [redacted] glomerate, [redacted] been mooted [redacted] a possible purchaser for Victoire: as have Allianz, the German insurance group, and Italy's Generali.

The [redacted] deal [redacted] paving the [redacted] Victoire's [redacted] posal [redacted] it involved UAP ceding its minority [redacted] in the [redacted].

Groupe GAN sees further gains

[redacted] Alice Rawsthorn

Groupe GAN, [redacted] France's largest insurance groups, should report a [redacted] in net profits to FFr700m ($119m) for 1993 from FFr402m in [redacted] according to Mr François Heilbronner, chairman.

Mr Heilbronner said [redacted] profits during [redacted] second half [redacted] 1993 [redacted] "of [redacted] order" as [redacted] FFr372m it made in [redacted] first half, thereby contributing [redacted] "significant increase" for [redacted] full financial year.

GAN, scheduled [redacted] privatisation, [redacted] the smallest of France's big [redacted] state-controlled [redacted] has [redacted] during the recession. [redacted] group [redacted] by [redacted] competitive [redacted] insurance industry and from [redacted] problems of the property sector.

However GAN, [redacted] of the industry, [redacted] year. Mr Heilbronner [redacted] on course for recovery in insurance, although further action [redacted] required [redacted] CIC, [redacted] banking [redacted].

He [redacted] recovery would continue in [redacted] gather momentum [redacted] year. Mr [redacted] objective is for GAN to make [redacted] profits [redacted] in 1995 [redacted] muster annual profits growth [redacted] 10 per [redacted].

The [redacted] plans [redacted] national expansion policy. GAN, [redacted] said, [redacted] particularly [redacted] in moving [redacted] Union des Assurances [redacted] Assurances Générales de France, [redacted] other [redacted] controlled insurers, have *already* [redacted].

Low pig prices restrict Dalgety at interim stage

By Maggie Urry in London

Falling sales of [redacted] Noodles and [redacted] prices [redacted] back interim results [redacted] Dalgety, the [redacted] agribusiness group. Pre-tax profits [redacted] slightly [redacted] £56.4m ($84.1m), against [redacted] in [redacted] months [redacted] 31.

Mr [redacted] executive, [redacted] he [redacted] improvement in many [redacted] in the second [redacted] This was underlined by an [redacted] in the interim [redacted] 7.85p [redacted].

Lex, Page [redacted]

Roussel-Uclaf beats forecast with 33% rise

By Alice Rawsthorn

Roussel-Uclaf, the French pharmaceuticals company [redacted] last [redacted] over by [redacted] Germany, yesterday [redacted] an unexpectedly strong 33 per cent [redacted] in [redacted] before exceptional items to FFr976.6m ($164.41m) in 1993 from [redacted] in 1992.

The company [redacted] a more modest increase, but fared particularly [redacted] during [redacted] it [redacted] from [redacted] sales [redacted] such as Rulid and Orelox.

Roussel-Uclaf, which [redacted] a subsidiary of Hoechst last summer when it bought [redacted] minority [redacted] from Rhône-Poulenc, the French chemicals concern, [redacted] growth of [redacted] per [redacted] during 1993 to [redacted] in [redacted].

However, the company suffered [redacted] fall in overall net profits [redacted] per [redacted] FFr987m [redacted] due to a reduction in capital gains. Roussel-Uclaf [redacted] just FFr271m from capital [redacted] during [redacted], compared with FFr676m in the previous year.

KKR backs former GrandMet chief's firm

By Paul Taylor in London and Richard Tomkins in New York

Kohlberg Kravis Roberts, the Wall [redacted] leveraged buy-out *specialist,* [redacted] *to provide* [redacted] financial backing for [redacted] new London-based investment firm [redacted] up by Mr Ian Martin who resigned yesterday as deputy chairman [redacted] UK Grand Metropolitan, the food and drinks group.

Glenisla, [redacted] privately-owned investment vehicle [redacted] by Mr Martin with Mr Henry Kravis and Mr George [redacted] KKR [redacted] board, plans [redacted] out undervalued busi[redacted] ripe for reorganisation [redacted] UK and [redacted] in Europe.

Mr Martin, [redacted] resignation [redacted] GrandMet director had been widely expected [redacted] September when he [redacted] for [redacted] executive job, [redacted] the [redacted] could be in a wide range of [redacted] – though [redacted] in [redacted] food and drinks industry because he [redacted] a consultant [redacted] GrandMet with [redacted] non-competition [redacted].

"Western Europe [redacted] pivotal stage in [redacted] economic cycle, presenting significant [redacted] for building long term growth through strategic, well capitalised investments," he said.

"Glenisla intends to capture [redacted] value by financing [redacted] ments in [redacted] prudent [redacted] manner [redacted] with a strategy for achieving profitable growth [redacted] taking an [redacted] role in [redacted] day-to-day management of [redacted] business."

Explaining [redacted] arrangement with KKR, Mr Martin, who has [redacted] reputation as [redacted] skilled turnround specialist, [redacted] "KKR brings [redacted] financial muscle and I [redacted] the transformation [redacted]"

KKR has about [redacted] for investment, only [redacted] small [redacted] of which will find its way into Glenisla. But the investment will give the firm its [redacted] in the European [redacted].

KKR has a [redacted] of 18 [redacted] in US companies with an [redacted] market value of $13bn.

Observer, Page 18

Olivetti rules out rights issue this year

By Haig Simonian in Milan

Olivetti, the Italian information technology group, has "absolutely no reason" [redacted] a rights issue *this* [redacted] *if* it wins the licence [redacted] run a second national cellular [redacted]munications network, according [redacted] Mr [redacted] De Benedetti, chairman.

Mr De Benedetti [redacted] mobile [redacted] "not [redacted] diversification [redacted] opportunistic for Olivetti. [redacted] the heart [redacted] our business". However, company officials have admitted winning the licence would have [redacted] negative impact [redacted] cash [redacted] during the project's early [redacted] when heavy [redacted] would [redacted] required.

According to company forecasts, [redacted] successful bid by the Omnitel consortium, headed by Olivetti, would [redacted] the latter between L1,500bn and L2,000bn ($887m-$1.2bn) in [redacted] months from winning [redacted] licence. The project would [redacted] 2,000 jobs.

Omnitel, which includes Swedish Telecom, Bell Atlantic, Cellular Communications and Lehman Brothers, [redacted] *three* [redacted] *to* [redacted] the new GSM-standard network. A government decision [redacted] expected by the [redacted] April.

Olivetti [redacted] the importance [redacted] winning [redacted].

One [redacted] the shift into communications rep[redacted] a new "genetic mutation" for [redacted] of [redacted] magnitude as [redacted] switch [redacted] mechanical to [redacted] typewriters [redacted] However, winning the mandate is expec[redacted] a modest negative impact [redacted] *earnings for up to* four [redacted] of heavy investment spending. The change would come in the fourth [redacted] the project should start generating cash, the [redacted].

[redacted] seek [redacted] limit [redacted] by using existing financial [redacted] and avoiding additional [redacted] However, offi[redacted] implied it might need to turn [redacted] shareholders eventually to fund the additional spending.

Olivetti, which last year pushed through a L902bn rights [redacted] will seek shareholder approval to [redacted] up to L2,000bn in new shares and bonds [redacted] the next [redacted]. However, [redacted] senior executive [redacted] proposal, [redacted] be [redacted] *shareholders* in April, had been misunderstood, and did [redacted] necessarily mean [redacted] would [redacted] raised.

Winning the licence [redacted] Olivetti's results just as it [redacted] poised [redacted] from [redacted] tained losses. [redacted] by [redacted] shift into more profitable [redacted]vice-based activities, Mr [redacted] said breaking [redacted] was a reachable objective this [redacted].

Earnings would be lifted by lower [redacted] and the fact [redacted] Olivetti has put most of its extraordinary restructuring [redacted] it.

Danish bank returns to black

By Hilary Barnes in Copenhagen

Unidanmark, [redacted] second-largest [redacted] banking [redacted], reported [redacted] return [redacted] *profit in* [redacted] years in the red. Net profit was [redacted], compared with [redacted] in [redacted] of [redacted] DKr1.09bn [redacted] respectively.

The group omitted [redacted] dividend for [redacted] year, [redacted] announced [redacted] DKr550m [redacted] share issue [redacted] market price and without preferential rights for existing shareholders which [redacted] DKr1.3bn.

[redacted] in [redacted] loss provisions [redacted] from DKr6.28bn and income from securities and foreign exchange of DKr2.56bn, compared with [redacted] DKr273m [redacted] helped [redacted] turnround.

The [redacted] in profits from securities and foreign exchange [redacted] the sharp rise [redacted] bond and share prices last year. Mr Thorleif Krarup, group [redacted] executive, [redacted] about DKr1.5bn [redacted] DKr2.5bn profit [redacted] this heading [redacted] trading profits and the [redacted] gain in the [redacted] of securities.

[redacted] Krarup was brought [redacted] autumn [redacted] after repeated [redacted] of an improved performance [redacted] supervised a [redacted] by 7 per [redacted], including a [redacted] in the [redacted] 10,108 people from 11,877 [redacted] end [redacted] 1992.

The new [redacted] issue, to [redacted] in Europe and [redacted] US, will [redacted] bank's core capital from 7.2 [redacted] to [redacted] per cent and its total capital adequacy [redacted] over 12 per cent from 11.8 per [redacted] of [redacted] year, [redacted] bank said.

The group's total [redacted] increased to DKr242bn from DKr219bn in [redacted] the [redacted] time for many years the group's deposits, which increased [redacted] *DKr127.4bn* from DKr114.9bn in 1992, [redacted] advances, which declined [redacted] DKr125.5bn [redacted] DKr132.5bn in 1992 [redacted] a peak [redacted] DKr158bn in 1990.

Increasing competition and [redacted] *volatility* [redacted] securi[redacted] and foreign exchange mar[redacted] will [redacted] an [redacted] profits in 1994, the [redacted] said, but [redacted] made [redacted] earnings forecast.

Claims on Rey reach SFr3.02bn

By Ian Rodger in Zurich

[redacted] Werner K. Rey, [redacted] fugitive Swiss financier, have [redacted] against him [redacted] SFr3.02bn [redacted] But nearly three [redacted] after the collapse [redacted] Mr Rey's Omni Holdings, only a tiny fraction of this amount has been recovered.

In its latest [redacted] to [redacted]tors, [redacted] Ernst & Young [redacted] it had accepted only SFr842m of [redacted] Another SFr519m had been rejected [redacted] claims [redacted] SFr1.66bn were [redacted] held [redacted] further investigation.

Omni, [redacted] aggressive conglomerate, [redacted] in April, 1991 [redacted] more than SFr2bn in debts, making it Switzerland's largest corporate collapse.

[redacted] went [redacted] the Bahamas [redacted] that [redacted] and has refused to [redacted] has been [redacted] with fraud and theft and Swiss [redacted] preparing a request [redacted] tion.

[redacted] said it sold Mr Rey's Rolls-Royce [redacted] car last year for SFr26,000 [redacted] erty for SFr14m, but [redacted] to [redacted] two [redacted] only [redacted] SFr2.8m [redacted].

The roughly [redacted] pro[redacted] from [redacted] sale of [redacted] in 1991 and 1992 were frozen pend[redacted] the [redacted] of a legal challenge by [redacted] Paribas (Sui[redacted], which [redacted] a right to the shares as a pledge against a loan it made to Omni.

Sacked boss defends MG strategy

By Laurie Morse in Chicago

Mr W. Arthur Benson, the MG Refining and Marketing [redacted] Friday, says Metallgesellschaft, [redacted] and mining group, [redacted] fully aware of [redacted] division's trading strategies [redacted] *scapegoat* for [redacted] they created.

Trading [redacted] from [redacted] oil and [redacted] operations [redacted] widely believed [redacted] have generated [redacted] financial crisis at [redacted] German parent.

[redacted] a [redacted] *statement,* Mr Benson [redacted] Metallgesellschaft [redacted] fully informed of MG Refining and Marketing's trading strategy but chose [redacted] ignore it.

"They have acted purpose*fully as* [redacted] *they sought* [redacted] *create* losses. There is [redacted] here than [redacted] meets the eye," [redacted] said. Mr Benson also said [redacted] allowed [redacted] run its [redacted] it would [redacted] reaped [redacted] profits.

Metallgesellschaft [redacted] *no* [redacted] Mr [redacted] In [redacted] telephone interview, Mr Benson would [redacted] elaborate beyond his [redacted], saying he was prohibited [redacted] so by his [redacted] with his [redacted] employer.

[redacted] had been president [redacted] MG Refining and Marketing. His son William was Risk Manager. Both were discharged last Friday.

THE GERMAN PFANDBRIEF

VERBRIEFTE SICHERHEIT

SOLID VALUE FROM THE GROUND UP

The last thing many investors want is to get adventurous about current fads and exotic markets. If safety, yield, a stable currency and long-term value are your priorities, consider Germany's Pfandbrief system. Pfandbriefe in Germany are bonds issued to refinance mortgages or public loans, a time-tested idea that dates back more than two centuries. In line with the Mortgage Bank Act of 1900, these bonds are secured by mortgages or by public-sector loans. They must carry backing of separate funds with at least matching yields and maturities. And all Pfandbrief issues are monitored by a state-appointed trustee.

The bottom line on safety? No investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity. The legal framework surrounding Pfandbriefe has an unsurpassed record for endurance, offering investors a fixed-interest D-Mark instrument of quality – plus yields generally higher than German Treasury bonds (Bunds). Sound reasons why Pfandbriefe, at nearly DM 1 trillion at year-end 1993, amounted to 40 % of Germany's entire bond market.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

THE SYSTEM IS UNBEATABLE IN THE LONG RUN.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Maclean Hunter to mount offensive against Rogers

By Bernard Simon in Toronto

Maclean Hunter, the Canadian publishing and cable-TV group, signalled yesterday it was planning a strong [illegible] to a proposed takeover bid by Rogers Communications.

[illegible] defused uncertainty over the [illegible] of the largest single block of [illegible] in the company, apparently in the hope of prodding Rogers to show its hand.

Rogers, which is Canada's biggest cable-TV group, last week proposed a "strategic merger" with MH to create a multimedia company able to stand up to other European and North American conglomerates and Canada's powerful telephone companies.

But analysts predicted yesterday that MH might try to thwart Rogers' [illegible] by presenting itself, rather than Rogers, as the best [illegible] for the creation of an enlarged [illegible] multimedia conglomerate.

MH has a far [illegible] debt burden than Rogers. Its coffers would be swollen by up to [illegible] (US$1.5bn) from the expected sale of its [illegible] cable-TV [illegible].

Rogers has yet to put forward a firm offer. It said last Friday it would first ask the Ontario Securities Commission to rule whether the block of MH shares held by a company known as Maclean Hunter Holdings would have to be included in a bid.

MH responded yesterday that MH Holdings, which is controlled by two MH [illegible] and holds about 17 per cent of MH's shares, will not [illegible] its shares either for or against any bid which [illegible] to a 1988 shareholder rights plan. The clarification [illegible] the [illegible] ruling [illegible] longer necessary.

"It is not the intention of either board (of MH or MH Holdings) to frustrate or prevent any reasonable and appropriate offer ... made by Rogers or any other party," MH said.

[illegible] was due to issue a [illegible] late yesterday.

MH added, however, it was "exploring all strategic alternatives in order to maximise shareholder value". These include a recapitalisation, the spin-off of all or part of its Canadian cable-TV [illegible], and the formation of "one or more [illegible] with third parties".

MH also [illegible] three [illegible] under way with prospective buyers of the valuable US cable-TV [illegible] in Michigan, New Jersey and Florida.

At its current share price of C$17.25, MH is valued at C$[illegible]. But analysts predict a bidder with any hope of [illegible] will [illegible] ably more [illegible].

CanPac cuts loss as rail freight improves

By Robert Gibbens in Montreal

Canadian Pacific, the transport, resource, property and industrial group, reduced [illegible] sharply in the fourth quarter and for the whole of 1993 following a considerable turnround on the freight rail side.

CP, which also benefited from an improvement in shipping and trucks, recorded positive operating [illegible] and is forecasting further gains for 1994.

Fourth-quarter net profit from continuing operations was C$107m (US$81.6m), up from C$44m a year earlier. But after special charges there was a loss of C$117.5m, or [illegible] a share, against a [illegible] of [illegible] from [illegible].

For the full year, overall net profit from continuing operations was C$[illegible], compared with C$140m, but after special items the [illegible] was C$191m, or 60 cents, against a deficit of C$[illegible], or C$1.50.

Revenues of C$[illegible] compared with C$7.2bn, mostly due to the de-consolidation of [illegible] units.

The 1993 special items included a C$203m share of write-downs by Unitel, the telecommunications unit, the share of Laidlaw writedowns, and a special charge by the property unit.

CP also included a C$163m loss from its 61 per cent stake in Canadian Pacific Forest Products, sold late last year.

In 1993 special charges totalled C$441m, mainly as a result of rationalisation.

The rail system almost doubled operating income in 1993, with strong gains in traffic.

[illegible] oil and gas output and increased gas prices helped Pan Canadian Petroleum, while Fording Coal swung back positively from a 1992 strike.

Mr William Stinson, chairman, warned that Unitel would continue to lose money until it achieved sufficient long-distance market share. But with moderate economic growth, "CP sees continued overall improvement in operating performance in 1994".

Demand from car industry boosts Dofasco

By [illegible] in Montreal

Demand [illegible] from the surging North American car industry brought further recovery at Dofasco, Canada's second biggest steelmaker, in the fourth quarter.

Net profit from operations was C$15.2m (US$11.6m) up from C$13.3m in the third quarter and a loss in the year earlier.

After special gains, Dofasco reported fourth-quarter net profit of C$75.7m, or 95 cents a share, against a loss of C$115.5m, or C$1.46, on sales up at C$535m, against C$476m.

For all of 1993, final net profit was C$111.9m, or C$1.41, compared with a loss of C$[illegible], or [illegible], in 1992.

Sales were C$2.1bn, up from C$1.95bn. Total steel shipments were [illegible] tonnes, against 3.4 [illegible].

Dofasco is completing its restructuring [illegible] on flat rolled products. It has sold the remaining [illegible] in Algoma Steel and plans to sell its [illegible] products unit.

Transgas plans stake in Algerian pipeline

By Peter Wise in Lisbon

Transgas, the company responsible for an Es450bn [illegible] project to pipe natural gas into Portugal, plans to take an [illegible] stake in Europe-Maghreb Pipeline, the US-dominated construction consortium building a gas line between Algeria and Spain.

Portugal, the only European Union country without a natural gas supply system, plans to lift 2.5bn cubic metres of natural gas a year from 1997 through a link with the pipeline that will run from Hassi R'Mel in Algeria through Morocco to Seville in Spain.

Transgas, wholly owned by Portuguese public sector companies, is holding talks with at least 12 foreign enterprises interested in acquiring a stake in the company, a Transgas government official said yesterday.

He said the government planned to reduce the state-controlled holding in Transgas to a maximum of 30 per cent and would permit foreign ownership of up to 49 per cent of the company.

The potential foreign partners in Transgas include Sonatrach, the Algerian state energy company, that will supply natural gas to Morocco, Spain and Portugal through the pipeline. Construction work is due to begin this year.

Gas de France is also negotiating a possible participation in Transgas. The French company led an international consortium that planned to introduce natural gas into Portugal through importing liquefied natural gas from Algeria by ship. But talks with the Portuguese government collapsed in March 1993 after a failure to agree on prices and [illegible].

Mr Luis Felipe Pereira, Portugal's secretary of state for energy, said the pipeline option would provide gas at a lower price. It was also more secure because Portugal would be able to import gas from other suppliers through the Spanish network if supplies from Algeria were cut off.

Japanese move in on European gilts

Investment interest is strong, report **Emiko Terazono** and **Sara Webb**

High yields and the potential for currency appreciation are providing strong incentives for Japanese investors to switch into the European government bond markets, *given that* yields on Japanese government debt and US Treasury bonds are pitifully low.

Japanese investment in overseas bonds reached $35bn in the final quarter of 1993, the highest quarterly figure since the last three months of 1989, according to DKB International, the Japanese bank. Some $26.4bn of that was invested in overseas bonds, notably European markets.

"Japanese investors have been moving into Europe in the last few months and have been strong supporters of the gilt market, as well as buying French and German bonds," points out Mr Kit Juckes, economist at S.G. Warburg Securities. He expects to see further investment *by Japanese investors in European bonds, given* that the yields are significantly higher than those on Japanese paper.

Dealers in London note that Japanese buying interest in the European government bond markets – particularly France, Germany and the Netherlands – has been strong since the start of the year, although the UK and European markets [illegible] in the Japanese domestic markets.

Many Japanese investors *expect to see a further rally in European bond markets this year,* especially if the Bundesbank lowers interest rates and other European central banks follow suit.

Mr Mikio Kashiwagi, head of the *pension portfolio* management at IBJ NW [illegible] Management, says: "Europe is definitely interesting at the moment." During the past few months, he has gradually shifted funds out of the US government bond market into Europe where interest rates are high and there is scope for yield curves to "normalise" by adopting a positive slope as short-term interest rates decline.

Mr Kashiwagi is placing 40 per cent of his funds in bonds in the last few months and 60 per cent in stocks: half of the fixed income allocation will be in European bonds, while 26 per cent will be in US paper and 10 per cent in Japanese debt.

Mr Junya Nakamura, manager of Tokio Marine & Fire Insurance's international investment department, currently puts 40 per cent of his bond investments into Europe and 60 per cent in the US. But while the total amount allocated to overseas investments has remained stable, he has [illegible] the US [illegible] Europe, reducing exposure to US bonds from 80 per cent last year to the current level.

"We've started to get cautious about the UK, but we think [illegible] on the continent still have room to cut rates," says Mr Nakamura.

Japanese buying $bn (1993)	Foreign bonds	[illegible]
Jan	1.56	(0.02)
Feb	(3.60)	[illegible]
Mar	(1.7)	0.33
April	[illegible]	[illegible]
May	4.58	0.41
June	(3.04)	1.24
July	(0.69)	1.38
Aug	3.38	1.89
Sept	(5.96)	1.73
Oct	12.26	[illegible]
Nov	10.15	3.14
Dec*	4.00	3.00

*[illegible] Source: [illegible]

"We've been overweight in Europe since the end of last year," says a fund manager at a leading Japanese life assurer. However, he believes that European bond markets are in the last stages of a rally, and would not increase weightings further.

Some Japanese investors are wary of overseas investments because of the risk of currency fluctuations, and are sticking to domestic bonds in the hope of a further fall in long-term yields. (The yield on the benchmark No 157 10-year bond is trading at around 3.55 per cent.)

Mr Kazuo Tsunoyama, director of [illegible] Brinson Investment Management, who expects the Japanese currency to remain at around Y110 to the dollar this year, is keeping *away from overseas investments.* He believes there is potential for gains on Japanese government bonds and is about [illegible] per cent overweight.

However, fears of heavy new supply in the Japanese government bond market have dampened enthusiasm recently. The economic stimulus package [illegible] mean extra supply in the bond market, and the Ministry of Finance has already *announced that it would issue* bonds outright to finance the spending part of the package. According to an outline announced by the Ministry of Finance last week, the proposed [illegible] – worth Y6,000bn a year – would be financed by deficit-covering bonds in the first three years.

In terms of the currency outlook, Japanese investors appear divided. In many cases, positions in European bonds held by Japanese investors have been fully hedged, keeping worries over currency movements at a minimum, although this can be costly and reduces the overall return.

Mr Nakamura believes that the yen will remain relatively firm against European currencies. However, other Japanese investors are [illegible] making gains from the appreciation of the European currencies against the yen. A dealer at one US bond house notes that "even the Japanese are rather bearish on the yen, and feel they could get currency appreciation from their European assets".

Chile groups trek the ADR path

Companies are queueing to make foreign issues, writes **David Pilling**

Thirteen Chilean companies, including energy, telecommunications and [illegible] groups, are planning to issue American depositary receipts on the New York stock exchange.

This year, the 13 are likely to raise at least $700m in this way – some of which will be invested in other liberalising economies, such as Argentina and Peru.

Setting [illegible] Cristalerias recently became the eighth Chilean group to gain a foreign listing. Its offering of 3.65m ADRs – each representing three shares – was priced at $23⅞ each, valuing the issue at more than $87m. If the underwriters take up their over-allotment rights, this figure will go up to $96m.

Other companies queueing to make foreign issues are Chilquinta, a regional utility, Concha y Toro, the winemaker, and Banco O'Higgins, the first Chilean financial institution to seek a listing abroad.

Under strict laws laid down by Chile's central bank, each company will be required to place at least $50m of new stock. Last year, of the $2.7bn invested in Chile, [illegible] came via the purchase of Chilean [illegible] abroad.

The ADR ball was set rolling in 1990 when CTC, the telecommunications group, placed $93m – 12 per cent of its stock – on the US market.

Today, 25 per cent of CTC's shares are traded in New York with a value of about $1.25bn. Soquimich, an iodine and fertiliser producer, and Masisa, a particle board maker, have more than 20 per cent of their stock traded in New York.

In addition to raising a company's international profile and securing cash for expansion, foreign demand for Chilean paper has tended to push up the share price on the Santiago exchange. "The minimum position of big US pension funds is about $5m," says Mr Matthew Hickman of Bear Stearns. "That's a huge demand by Chilean standards, so the price goes up."

So far many ADR prices are inflated that some analysts are advising taking profits on some better-performing ADRs. Mr Geoffrey Dennis of Bear Stearns, for example, says Chilean ADRs "have been pushed up by significant premiums in relation to most stocks in the region".

In 1993, shares in Madeco, the copper manufacturing company, rose in nominal terms by 136 per cent in Santiago, while the ADRs leapt by 207 per cent. Both [illegible] ADR [illegible] year. On the day after Cristalerias listed its ADRs, the share price went up by 19.5 per cent in Santiago.

The [illegible] international ADRs trading [illegible] year accounted for 44.1 per cent of the selective IPSA index, which rose [illegible] per cent in US dollar terms last year. If last year's ADR [illegible] is completed, ADRs will account for nearly three-quarters of the [illegible] index.

"The increased buying and selling activity of foreign institutional investors is having a greater and more direct effect on the domestic market," says Mr James [illegible] of Baring Securities.

Some foreign [illegible] like the fact that a slice of the funds raised by Chilean companies is invested in other high-growth regional economies. Chilean companies, exposed to domestic economic restructuring before most other Latin American economies, have proved adept at applying hard-won lessons to difficult foreign markets.

"People like the quality of Chilean management," says Mr Hickman. "Investors like the idea of buying a Chilean vehicle. While many of them are actually doing it taking a stake in Argentina or Peru."

[illegible] Chilean companies are bypassing their domestic exchange. CCU, the beverage group which placed ADRs in [illegible], saw little [illegible] in Santiago [illegible] month it dropped off the IPSA index altogether.

Many family-run businesses, wary of losing board control and dubious of the financial advantage of trading on the often-illiquid Santiago bolsa, prefer to take their chances abroad. Foreign institutions have large sums at their disposal yet are unlikely to be seeking boardroom control.

"Why should companies bother to list on the Chilean stock exchange?" says Mr Hickman. "The size of the market [in New York] is so much larger that it becomes a more feasible financial source without the political risk."

However, he admits there are dangers involved in ADR euphoria. "First, prices shouldn't really be determined by foreign investors who don't understand the [illegible] as well as a local does. Second, the size of the US funds means that you just [illegible] a swift change of sentiment by a few people to have a big effect in Chile."

Some analysts fear what might happen if international interest rates rise and institutions cash in their Chilean profits. Others are more sanguine, believing that rising real Chilean stock markets [illegible] the premium being paid for a combination of stability and growth potential.

ADR PERFORMANCE IN 1993	ADR performance % change	Domestic performance % change
CTC	+70.6	93.92
Cervezas	+82.5	115.51
Chilectra	+91.0	108.62
Masisa*	+86.5	191.34
Madeco*	+96.0	126.45
Soquimich*	+18.5	80.63
Enersis*	+29.2	59.96

*Listed during 1993. Price is the initial listing day quote. Source: Bolsa de Comercio, NYSE

ADRS ANNOUNCED FOR 1994

Company	Sector
Andina	Coke bottler
Banco O'Higgins	Banking
Chilgener	Electricity generator
Chilquinta	Electricity [illegible]
Cristalerias	[illegible]
Concha y Toro	Wine producer
Endesa	Electricity generator
Entel	[illegible]
Laboratorio Chile	[illegible]
Sodimac	Home improvements
[illegible]	[illegible]
Telex-Chile	[illegible]

Source: [illegible]

INTERNATIONAL COMPANIES AND FINANCE

S&P warns Japanese banks over bad loan write-offs

By Emiko Terazono in Tokyo

Until Japanese banks come to terms with their asset quality problems, the country's stock markets will not show a sus[illegible] recovery, [illegible] Standard & Poor's, the international credit rating agency, in a report released yesterday on the banks' approach on writing off bad loans.

Compared with their US and Australian counterparts, Japanese banks have been slow in writing off problem [illegible] due to a lack [illegible] incentives. Although [illegible] would not [illegible] ratings, it warned that the difficulty in assessing [illegible] gradual write-off procedure [illegible] affect investor confidence.

[illegible] mounting speculation [illegible] actual [illegible] of [illegible] bad debt burden of Japanese banks has added to the [illegible]ticism, [illegible] has weighed [illegible] banks' [illegible] prices. They will [illegible] in a [illegible] circle [illegible] a [illegible] market limits their [illegible]ity [illegible] rely on hidden [illegible] help [illegible] stemming from clearing their [illegible] problem [illegible].

But an [illegible] of the write-off process by [illegible] will be welcomed by [illegible] investors, supporting share prices and lifting the operating flexibility of the banks. This will in turn improve the [illegible] all [illegible] allowing [illegible] management time on resolving past [illegible].

● [illegible] Bank, [illegible] in [illegible] Japan, [illegible] 10-year rescue plan for [illegible] 10 [illegible] non-bank financial companies.

Hyogo, [illegible] undergoing [illegible] restructuring, [illegible] payments by [illegible] affiliates, increasing [illegible] burden by Y7.2bn [illegible] Y11.7bn [illegible]. By raising [illegible] commitment, [illegible] per[illegible] financial affiliates, including life [illegible] banks, to [illegible] 2 [illegible] cent, relieving [illegible] payments by [illegible].

Del Monte Royal Foods beats first-year forecast with R208m

Matthew Curtin in Johannesburg

[illegible] Monte Royal Foods, [illegible] with the acquisition by Anglo American [illegible] the Imerman family [illegible] Del [illegible] International (DMFI), [illegible] profit forecasts in reporting distributable profit [illegible] R208.5m [illegible] equivalent [illegible] a share, and declaring [illegible] a [illegible] dividend.

[illegible] the [illegible] acquisition, [illegible] earnings [illegible] a share [illegible] a total payout [illegible] 20 [illegible]. Previous [illegible] figures [illegible] not comparable [illegible] they pre-date [illegible] transaction, [illegible] – [illegible] Del [illegible] brand in Africa, [illegible] Middle East [illegible] Europe – [illegible] forecasts only through unexpected [illegible] interest bill and tax liability.

Mr Vivian Imerman, chairman, said [illegible] Reserve Bank ruling prevented [illegible] of company [illegible] in the past year, but he hoped the release of new information would bolster the group's stock market rating [illegible] London and Johannesburg. He said the key [illegible] future earnings growth would [illegible] development of [illegible] Del Monte [illegible] private label products, licensing agreements, and new market penetration in Europe and Asia.

Adverse currency movements, particularly the devaluation of the Italian lira, and tough trading conditions associated with recession in Europe, responsible for 80 per cent of sales, depressed turnover which [illegible] R1.28bn compared with [illegible].

Mr [illegible] officer, [illegible] spend[illegible] group's [illegible].

However, [illegible] premium [illegible] market, [illegible] cutting prices, [illegible] proliferation of cheap [illegible] private [illegible] products. [illegible] profit [illegible] the [illegible].

[illegible] interest payments of R32.2m were half the group's forecast reflecting lower interest rates in Europe and South [illegible] as well [illegible] from [illegible] strengthening [illegible] through which DMFI [illegible] acquired, against sterling. The exchange [illegible] gain cut [illegible] payment price by [illegible] to improve [illegible] debt-to-equity [illegible] finance charges.

Samancor sharply up at halfway

By Matthew Curtin

Samancor, the Gencor-owned South African ferro-alloys [illegible]ducer, has surprised the mar[illegible] by reporting unexpectedly good [illegible] in the half-year to end-December. Pre-tax profit before abnormal [illegible] jumped 58 [illegible] cent [illegible] against R111m a year [illegible].

A [illegible] dividend is declared, [illegible] from [illegible] last year. The group's [illegible] have [illegible] in value since February [illegible], climbing [illegible] cents in the past month to [illegible] yesterday's [illegible] close.

[illegible] Mike Salamon, managing director, [illegible] performance contrasted with "miserable" [illegible] in [illegible] for the group's products in [illegible] its markets. [illegible] would match first-half earnings in the [illegible] although he [illegible] no more than "vaguely warm" about commodity prices improving [illegible] late-1994.

[illegible] weakness against [illegible] dollar and improved manganese alloy [illegible] volumes bolstered turnover [illegible] from [illegible], although prices for the group's output fell [illegible] the board. [illegible] Salamon said [illegible] and alloy markets were still blighted by a flood of cheap material from the [illegible] Union [illegible] China, [illegible] to poor demand in recession-hit Europe and Japan.

A turnround [illegible] the [illegible] division, which [illegible] large job cuts in 1992-93, [illegible] main contributor to the group's improved operating performance, with extra benefit derived from the [illegible] of idle [illegible] to silicomanganese [illegible] production.

[illegible] receipts stemming from [illegible] export [illegible]tlement and [illegible] lifted overall pre-tax profit to R214.4m from [illegible].

A return [illegible] a tax-paying position and reduced income from associates curbed [illegible] in distributable profit [illegible] R110.8m.

Peabody raises stake in NSW coal project

By Nikki Tait in Sydney

Peabody Resources, part of the British Hanson group, yesterday announced that it has raised its stake in the Warkworth coal joint venture in New South Wales, from 28.75 per cent to 43.75 per cent.

[illegible] original Warkworth interest was acquired by Peabody when it purchased the Australian coal mining interests of Costain, the British construction group, last year for about [illegible].

The joint venture controls around 234m tonnes of recoverable opencast coal reserves [illegible] underground reserves in New South Wales. It produces 2.8m tonnes a year of metallurgical and steaming coal, mainly for export [illegible] Pacific Rim [illegible].

Peabody, which is the manager of the Warkworth operation, bought its additional stake from the Westpac staff superannuation plan, and both sides declined to disclose the price. Other partners in the joint venture include Mitsubishi Development, Mitsubishi Materials, Minproc Energy and Nippon Steel.

The increased interest comes hard on the heels of an unfavourable outcome for the coal industry in its annual negotiations with the Japanese steel mills.

Under competitive pressure from other suppliers and faced with lower demand from Japan, Australian producers accepted larger-than-expected price cuts and reduced tonnages. A series of 24-hour mine stoppages, called by the United Mine Workers' union in protest at the outcome of the negotiations, is due to start tonight.

New president at Daishowa

[illegible] Paper, the [illegible] paper company, has replaced. Mr Kiminori Saito with Mr Shogo Nakano [illegible] president, [illegible] an end the company's 56-year [illegible] the Saito family.

The move follows pressure from the company's main creditor banks, which have been reluctant to accept Daishowa's restructuring [illegible] until it removed the family's influ[illegible] rapidly during the 1980s under [illegible] Ryoei [illegible], the controversial honorary chairman.

[illegible] has been trying to [illegible] a rehabilitation plan acceptable [illegible] its creditors.

Indian SE watchdog seeks more powers

By R.C.Murthy in Bombay

The Securities and Exchange Board of India is seeking additional powers [illegible] regulate [illegible] country's fast-growing capital [illegible].

Mr S.S. Nadkarni, the board's new chairman, said yesterday that amendments to legislation were proposed "to give more teeth" to the market watchdog.

The board, which has gained [illegible] authority in [illegible] malpractice. [illegible] been [illegible] allegations [illegible] trading by corporate managements seeking [illegible] rig [illegible] prices [illegible] flotations.

Proposals for strengthening [illegible] board's market surveil[illegible] by foreign investors, [illegible] have stepped up purchases [illegible] Indian [illegible]. Foreign institutions [illegible] in January, lifting the total to $1.2bn since the government opened the [illegible].

Mr Nadkarni [illegible] him[illegible] from [illegible] predecessor, [illegible] G.V. Ramakrishna, on the [illegible] abolishing [illegible] – [illegible] carry-forward facility for [illegible]. "[illegible] want [illegible] transpar[illegible] system," [illegible] said. The [illegible] will [illegible] its plan [illegible] total segregation [illegible] delivery [illegible].

Anticipating [illegible] change in [illegible] stance, [illegible] on [illegible] Bombay [illegible] Exchange drove [illegible] share prices by 227 points [illegible] per [illegible] two-[illegible] peak [illegible] 4,144 yesterday.

Soros joins $1bn fund investing in Asia

By Simon Holberton in Hong Kong

Mr George Soros, [illegible] US investor and speculator, yesterday joined Peregrine Investments, a Hong Kong-based merchant bank, in [illegible] of a $1bn fund to invest in Asian infrastructure projects.

This is the second fund in less than two weeks with which Mr Soros, who helped force sterling out of the European exchange rate mechanism in 1992, has been associated.

At [illegible] January [illegible] partnered GE Capital, [illegible] financial services arm of Amer[illegible] General Electric, in [illegible]anging [illegible] in power projects [illegible] oping world.

The Asian Infrastructure Fund will invest in power generation, transport projects and [illegible] in [illegible] Indian sub-conti[illegible]. Peregrine [illegible] fund [illegible] already [illegible] potential investments [illegible] China, India, [illegible] and [illegible].

Mr Soros' partnership [illegible] Peregrine [illegible] a compliment to [illegible] Philip Tose, Peregrine's [illegible] chairman, who [illegible] brokerage into one [illegible] powerful [illegible] in Hong Kong's and [illegible] community.

[illegible] Mr Soros, who [illegible] Quantum Group [illegible] funds, the International [illegible] Corporation, [illegible] pri[illegible] of [illegible] Bank, [illegible] Asia Development [illegible] multi[illegible] bank, [illegible] Frank [illegible] Company, a financial adviser, will contribute [illegible] to [illegible] fund.

Citic Pacific buys 50% of Discovery Bay owner

By Louise Lucas in Hong Kong

[illegible] Pacific, the [illegible] Kong listed arm [illegible] the [illegible] foreign [illegible] Citic, is [illegible] pay [illegible] for a [illegible] per [illegible] in Discovery Bay, a [illegible] community [illegible] one of Hong Kong's outlying islands which is home to some [illegible] of [illegible] colony's [illegible] and expatriate citizens.

The deal, which [illegible] Citic buying [illegible] 50 [illegible] of Hong Kong [illegible] Company – the [illegible] which [illegible] and [illegible] Discovery Bay, [illegible] north-eastern [illegible] Island – [illegible] parent HKR International, gives further [illegible] to Citic's already impressive portfolio. Other acquisitions [illegible] 12 per cent [illegible] Hongkong [illegible] and 12 per [illegible] of Cathay [illegible].

An [illegible] payment of up to [illegible] will be paid by Citic to acquire the balance [illegible] in the holding [illegible], after agreed [illegible] been stripped out.

[illegible] International, which retains 50 [illegible] cent of Discovery Bay, will continue to [illegible] responsible [illegible] the day-to-day management [illegible] the development.

INTERNATIONAL CAPITAL MARKETS

US rate hike takes the 'froth' off European bond markets

By Tracy Corrigan and Antonia Sharpe in London and Frank McGurty in New York

US [illegible] European bond markets fell sharply in the [illegible] Friday's quarter point hike in US [illegible].

However, [illegible] in Europe said that activity was [illegible] in the futures market, and selling in the cash market [illegible] controlled. By [illegible] of the day, prices had steadied, and most markets [illegible] to have [illegible].

"European [illegible] had been rallying strongly so [illegible] this year, and [illegible] took advantage [illegible] the US [illegible] to [illegible] froth [illegible] of the market," one [illegible] said.

■ UK gilts opened sharply lower, and [illegible] further ground when the [illegible] opened weaker. [illegible] by [illegible] trading, prices had [illegible] to Monday's opening levels.

The March long gilt futures [illegible] 116$\frac{14}{32}$, [illegible] point on Friday's close, but little changed [illegible] the day. Although [illegible] UK is generally seen as lagging the US economic cycle by six months, it is ahead of the rest [illegible] Europe, so the [illegible] of higher [illegible] in the US reinforced expectations that the UK interest rate cycle will turn later this year.

"You can debate for [illegible] when interest rates will [illegible] up but the fact [illegible] over the medium term they are going up – and that [illegible] playing [illegible] yield curve much [illegible] dangerous," said Mr John Kendall, an economist at Baring Brothers.

[illegible] market showed little reaction [illegible] the release [illegible] stronger consumer [illegible] for December, which underlined the fact that [illegible] gaining ground. A [illegible] upturn in [illegible] settlements according to the [illegible] by Incomes Data Services, [illegible] information and [illegible] organisation, also pointed [illegible] potential inflation problems.

However, [illegible] week's inflation data [illegible] expected [illegible] inflation under [illegible].

■ It was a bad day across the Continent for government bond markets yesterday, but continuing hopes of interest rate cuts in Europe helped many to end above the day's worst levels.

In Germany, the long end suffered more than the short end, with yields on eight-year paper rising 12 basis points to

GOVERNMENT BONDS

5.92 per cent and yields on 10-year bunds rising seven basis points to 5.84 per cent. *Yields on two-year paper rose* seven basis points to 5.24 per cent.

"There has been a general shift up the curve due to the weakness in US Treasuries and supply concerns," said Mr Julian Callow, European economist [illegible] Kleinwort [illegible].

[illegible] added, however, that the market had found [illegible] comfort in comments by Mr Hans Tietmeyer, president [illegible] the German Bundesbank and the Group [illegible] 10 [illegible] bank [illegible] chairman, that [illegible] central bankers were not very concerned [illegible] the situation [illegible] foreign exchange markets following the [illegible] decision to tighten monetary policy.

[illegible] Tietmeyer's comments pushed up [illegible] March three-month Euro D-Mark contract [illegible] an opening level of [illegible] 94.32 [illegible] afternoon.

There were [illegible] glimmers [illegible] hope that the Bundesbank would announce [illegible] return [illegible] which would enable [illegible] market [illegible] nudge the repo [illegible] lower.

However, some [illegible] believed [illegible] the Bundesbank would put off [illegible] in official rates until early March.

[illegible] afternoon, [illegible] March bund future [illegible] Liffe [illegible] after a heavy day's trading, down [illegible] point on the day but off the day's [illegible] of [illegible].

■ [illegible] that [illegible] Belgian [illegible] Bank [illegible] central [illegible] per [illegible] helped French government bonds [illegible] make a late [illegible] on hopes that [illegible] newly independent Bank [illegible] France would cut its [illegible] council meeting this [illegible]. A firm French franc also underpinned the market.

Analysts [illegible] the [illegible] of the French economy and [illegible] fall in money supply growth justified an [illegible] cut from "la Bubette", as [illegible] French central bank [illegible] now affectionately known in [illegible].

■ Italian government [illegible] from the day's [illegible] were [illegible] by their high yields. After hitting [illegible] low of 117.20, [illegible] March [illegible] Liffe [illegible] in late trading, [illegible] point [illegible] day.

■ The Japanese government bond [illegible] the only [illegible] market [illegible] to [illegible] immune [illegible] Federal Reserve's interest [illegible] hike. The market [illegible] the day [illegible] changed.

In Japan, [illegible] the [illegible] continued to dominate traders' attention. The [illegible] expectations [illegible] for an agreement [illegible] reached today and a new budget plan to [illegible] drawn up [illegible] Wednesday. However, expectations [illegible] disappointed before, and the market remains rather sceptical.

Dealers said that another [illegible] for the ability [illegible] the Japanese market [illegible] decouple itself from [illegible] that, unlike other markets, it [illegible] substantial ground in [illegible] due [illegible] about supply. Consequently, [illegible] not looking for an [illegible] *to [illegible] profits*, [illegible] *one* [illegible].

■ The [illegible] Treasury market fell [illegible] yesterday morning, extending Friday's big [illegible].

By midday, the benchmark 30-year government [illegible] lower at [illegible], with [illegible] yield rising [illegible] points to [illegible] per [illegible]. [illegible] short end, the two-year [illegible] yield [illegible] per cent.

Selling pressure [illegible] broad-based, but [illegible] intense in longer-dated securities, which sank only about a half [illegible] point in the [illegible] of the Fed's surprise announcement [illegible] policy-making arm had voted to lift short-term [illegible] rates.

This week's influx of new supply [illegible] contributing [illegible] market's sustained weakness. The Treasury [illegible] scheduled to [illegible] \$17bn in three-year notes today and \$12bn in 10-year [illegible] tomorrow.

But it was [illegible] \$11bn [illegible] 30-year bonds on Thursday that was generating the most [illegible] yesterday. The auction will come [illegible] day ahead [illegible] the [illegible] *of* January's producer price index, the next milestone in charting inflationary pressures which could undermine the long bond's value, and influence the timing of a further tightening by the Fed.

The PPI outlook is bearish, [illegible] centring [illegible] per cent jump in [illegible] overall index, and [illegible] after excluding [illegible] prices, [illegible] tend to [illegible] volatile.

News Corp faces fight over Royal Doulton

By Antonia Sharpe

[illegible] Corporation, the media, film and publishing group controlled by Mr Rupert Murdoch, [illegible] a [illegible] battle [illegible] holders of its exchangeable preference shares. This follows the announcement yesterday that they were not [illegible] £15m worth [illegible] in [illegible] Doulton, the fine china manufacturer [illegible] year was demerged from Pearson, owners of the Financial Times.

The decision contradicted a notice from News Corp, published in the Financial Times on [illegible] 13, that holders of [illegible] preference shares, exchangeable [illegible] News Corp held in Pearson, would [illegible] Royal Doulton [illegible] when exercising [illegible] exchange right.

Yesterday, News Corp backed up its claim to the 5¼m Royal Doulton shares by [illegible] ing that the Royal Doulton transaction had not caused a change in the composition of the exchange property.

"The Royal Doulton shares would [illegible] a capital [illegible] pur[illegible] of the companies [illegible] specified [illegible] had been exceeded, but [illegible] financial [illegible] have not been [illegible] and, accordingly, no capital distribution [illegible] occurred," News Corp [illegible]. It [illegible].

[illegible] in London and Hamburg said they and their clients [illegible] seeking [illegible] they could [illegible] a counter-claim [illegible] Royal Doulton [illegible]. They also intended to press for compensation from News Corp for any financial losses incurred [illegible] of News Corp's actions since December 13.

UK building society launches £500m FRN

By Sara Webb

The Halifax Building Society dominated new issue activity in the international bond market [illegible] with [illegible] launch [illegible] £500m five-year floating-rate [illegible] yesterday, against [illegible] uncertainty regarding [illegible] movements in [illegible] US [illegible] Europe.

Dealers [illegible] US [illegible] Reserve's quarter-point [illegible] in short-term [illegible] Friday had [illegible] Eurobond and government bond markets, putting a temporary halt on [illegible] activity and leading [illegible] decline in bond prices in the secondary market (although spreads over the government bond markets [illegible] little changed overall).

However, with [illegible] markets in [illegible] volatile condition, some syndicate [illegible] regarded [illegible] by [illegible] Halifax [illegible] launch [illegible] FRN as [illegible]

INTERNATIONAL BONDS

shrewd move. The £500m, five-year bonds carry a coupon [illegible] three-month Libor (currently at 5.5 per cent) and yielded an additional 6.5 [illegible] points [illegible] the re-offer price of 99.72.

Halifax yesterday called in its existing £150m FRN which was due to mature in 1996 and which had a minimum coupon [illegible] 5 per cent. In recent weeks it has [illegible] in [illegible] other FRN issues, taking the [illegible] amount [illegible] in to [illegible]. Yesterday's new FRN [illegible] was [illegible] to replace [illegible] bond [illegible] without [illegible] per [illegible] minimum coupon, syndicate officials [illegible].

Samuel Montagu and [illegible] Warburg, joint [illegible] managers, pointed [illegible] would provide [illegible] investors [illegible] a large liquid issue, [illegible] that Halifax and Denmark now have the two largest FRN [illegible] in the market.

However, other FRN experts said the large size and difficult market conditions meant that the bonds were taking quite [illegible] while to place, and some of the [illegible] enthusiastic syndicate members [illegible] offering the [illegible] below [illegible] price [illegible] offload them.

Even so, most market participants thought the bonds were priced fairly, given the Halifax's AA1/AA [illegible] rating. "The pricing [illegible] right, but [illegible] it could [illegible] a while to place and we're sceptical [illegible] whether there [illegible] enough demand to do £500m. However, FRNs do best when people are beginning [illegible] think that interest rates will go back up," said one veteran of the sterling [illegible].

Bangkok Bank, the largest bank in south-east Asia, yesterday launched a \$400m, 10-year convertible bond issue due to be priced [illegible]. Morgan Stanley, lead manager for the issue, has indicated [illegible] coupon of 3-3¼ per [illegible] a conversion premium of 23-26 per [illegible]. Although there has been a slew [illegible] new [illegible] bond issues in recent months, [illegible] participants said that Bangkok Bank stands out as a relatively strong name.

● Moody's Investors Service may [illegible] Venezuela's Ba-1 long-term [illegible] and Ba-2 rating [illegible] its par [illegible] bonds [illegible] rate [illegible], Reuter reports. Moody's said the [illegible] the [illegible] Venezuela's economic fundamentals, [illegible] worsening of its public finances, [illegible] in the country's financial [illegible] and the increasing political instability and uncertainty.

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	[illegible] %	[illegible]	[illegible]	[illegible] %	Spread bp	[illegible] runner
US DOLLARS							
[illegible] Bank(a)§	400	(3-3¼)	100.00	2004	2.50	-	[illegible] Stanley Intl
[illegible] Corp.(b)Φ	200	1.25	[illegible]	[illegible]	[illegible]	-	[illegible]
STERLING							
[illegible]	500	(d)	99.72R	[illegible]	0.15R	-	S.Montagu/SG [illegible]
[illegible] FRANCS							
[illegible] de France(e)	730	7.50	100.00	Mar.1997	[illegible]	-	[illegible]
SWISS FRANCS							
[illegible] Co.(b)**§	100	0.75#	100.00	[illegible]	-	-	[illegible] Bank [illegible]

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. **Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price, fees are shown at the re-offer level. a) Indicated conv premium 23-26%. Mandatorily convertible after 3 yrs subject to 140% rule. b) Fixing: 14/2/94. c) Callable on any coupon date from Mar.97 at par. d) 3-mth Libor flat. e) Redemption formula: 75% x (1 + max [0, (CACl-CACi)/CACi]). CACl fixed today.

WORLD [illegible] PRICES

BENCHMARK GOVERNMENT BONDS

		[illegible]	Red [illegible]	[illegible]	Day's change	Yield	Week ago	Month [illegible]
Australia		9.500	[illegible]	120.2500	−0.890	6.39	6.14	[illegible]
Belgium		7.250	[illegible]	104.6600	−0.220	[illegible]	6.51	6.47
Canada *		7.500	12/03	108.2500	[illegible]	6.62	[illegible]	6.51
Denmark		[illegible]	[illegible]	108.5000	[illegible]	6.16	[illegible]	[illegible]
[illegible]	BTAN	[illegible]	[illegible]	110.1200	[illegible]	6.27	5.10	[illegible]
	OAT	5.500	[illegible]	96.9500	[illegible]	[illegible]	5.68	5.67
[illegible]		6.000	[illegible]	100.9500	[illegible]	[illegible]	5.70	5.59
Italy		8.500	01/04	[illegible]	[illegible]	8.46†	8.37	8.66
Japan	No 119	4.800	06/99	107.7730	−1.160	3.11	2.93	2.36
	No 157	[illegible]	06/03	[illegible]	−0.060	3.53	3.43	[illegible]
Netherlands		5.750	01/04	[illegible]	[illegible]	5.79	[illegible]	[illegible]
Spain		10.500	10/03	[illegible]3.6500	[illegible]	7.98	[illegible]	[illegible]
UK Gilts		[illegible]	[illegible]	113-00	[illegible]	[illegible]	5.66	5.70
		[illegible]	11/04	101-27	[illegible]	6.48	6.15	[illegible]
		[illegible]	10/08	120-17	[illegible]	[illegible]	6.51	[illegible]
US Treasury *		5.750	08/03	98-16	[illegible]	5.95	5.63	5.65
		6.250	08/23	98-00	[illegible]	6.40	6.21	6.25
ECU (French Govt)		6.000	04/04	96.4700	[illegible]	[illegible]	[illegible]	[illegible]

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS [illegible]

US INTEREST RATES

Lunchtime rates

		Treasury Bills and Bond Yields			
		One month	3.27	Three year	4.70
		Two month	3.29	Five year	5.25
Prime rate	6	Three month	3.31	10-year	5.89
Broker loan rate	5	Six month	3.48	30-year	6.39
Fed.funds	3⅛	One year	3.84		
Fed.funds at intervention	3¼	Two year	4.42		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	[illegible]	[illegible]	High	Low	Est. vol.	Open int.
[illegible]	128.78	[illegible]	-0.70	[illegible]	[illegible]	[illegible]	153,018
Jun	128.38	128.34	-0.70	[illegible]	[illegible]	13,261	[illegible]
Sep	127.54	127.54	-0.68	[illegible]	127.46	364	[illegible]

■ [illegible] TERM FRENCH BOND [illegible] (MATIF)

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Mar	117.30	116.00	-0.10	116.22	[illegible]	88576	[illegible]
Jun	[illegible]	118.28	-0.13	118.27	117.90	171	6778

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon [illegible] 7	Day's [illegible] %	[illegible] 4	Accrued [illegible]	xd adj. ytd		Low coupon yield Feb 7	[illegible]	Yr. ago	Medium [illegible]	[illegible]	Yr. ago	High coupon yield Feb 7	Feb 4	Yr. ago
1 Up to 5 years (25)	128.52	-0.36	128.98	1.51	[illegible]	5 yrs	5.94	5.81	6.47	[illegible]	6.04	6.98	[illegible]	[illegible]	[illegible]
2 [illegible] years [illegible]	158.75	-0.65	159.78	1.60	[illegible]	15 yrs	[illegible]	[illegible]	6.06	6.78	6.70	[illegible]	6.97	[illegible]	[illegible]
3 Over 15 years (8)	183.99	[illegible]	185.40	1.43	[illegible]	20 yrs	6.78	6.71	[illegible]	[illegible]	[illegible]	[illegible]	6.96	6.90	8.92
4 Irredeemables (6)	220.02	-0.77	221.72	2.76	[illegible]	[illegible]	[illegible]	6.81	[illegible]						
5 All stocks (60)	154.05	-0.56	154.94	1.88	1.67										

Index-linked							Inflation 5% [illegible] 7	[illegible] 4	Yr. ago	Inflation 10% Feb 7	Feb 4	Yr. ago
6 Up to 5 years (2)	189.05	-0.30	191.04	[illegible]	1.41	Up to 5 yrs	2.47	2.35	2.18	1.62	1.51	[illegible]
[illegible] Over 5 years (11)	189.88	-0.55	190.92	0.71	0.57	Over 5 yrs	[illegible]	2.99	[illegible]	2.98	2.82	3.50
[illegible] All stocks (13)	189.86	-0.53	190.00	0.67	0.56							

Debentures and Loans						5 year yield Feb 7	Feb 4	Yr. ago	[illegible] year yield [illegible]	[illegible]	Yr. ago	25 year yield Feb 7	[illegible]	Yr. ago
9 [illegible]	[illegible]	[illegible]	[illegible]	2.96	0.56	7.69	[illegible]	[illegible]	7.77	[illegible]	[illegible]	7.83	7.75	[illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	[illegible] 7	[illegible]	[illegible]	[illegible]	Feb 1	Yr ago	High*	[illegible]
Govt. Secs. (UK)	[illegible]	105.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	131.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* for 1993/94. Government Securities high since compilation: [illegible] (9/1/35), low 49.[illegible] (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/[illegible] and Fixed Interest 1928. SE activity indices rebased [illegible]

GILT EDGED ACTIVITY INDICES

	[illegible]	[illegible]	[illegible]	Feb 1	Jan 31
Gilt Edged bargains	136.1	122.7	96.5	111.3	97.8
5-day average	112.9	114.9	117.5	131.3	131.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on February 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	[illegible]	[illegible]	[illegible]
AlbertaProvince 9⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	4.60
Austria 8½ 00	400	[illegible]	113⅜	[illegible]	5.65
Bank of Tokyo 8⅞ 96	[illegible]	[illegible]	107¼	[illegible]	[illegible]
Belgium 9⅝ 98	250	[illegible]	[illegible]	[illegible]	5.59
BFCE 7¼ 97	150	[illegible]	107¼	[illegible]	5.14
United Kingdom 7¼ 97	5500	[illegible]	106	[illegible]	[illegible]
Volkswagen Intl Fin 7 03	1000	103	103⅜	[illegible]	6.58
World Bank 0 15	2000	27⅞	28¼	[illegible]	6.02
World Bank 5⅞ 98	[illegible]	102½	[illegible]	[illegible]	[illegible]
World Bank 8⅜ 00	1250	116¼	[illegible]	[illegible]	5.67
Alliance Leics 11⅝ 97 £	100	114¾	115¼	[illegible]	[illegible]
British Gas 12¾ 95 £	300	[illegible]	107¼	[illegible]	[illegible]
British Land 8⅞ 23 £	150	[illegible]	104⅝	[illegible]	8.67
EIB [illegible] £	[illegible]	111	111⅜	[illegible]	5.88
Halifax 10⅜ 97 £	[illegible]	111¾	112⅛	[illegible]	6.09
Hanson 10⅜ 97 £	500	112⅞	112¾	[illegible]	6.40

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Bryant pleases City with surge to £14.6m

By Andrew Taylor, Construction Correspondent

Profits [redacted] Bryant Group, the Midlands-based housebuilder, jumped 95 per cent to £14.6m pre-tax during the six months to end-November.

The better than expected return prompted [redacted] 5p rise in the share price to 191p on [redacted] day [redacted] most other share prices were falling.

Mr Andrew MacKenzie, chief executive, [redacted] the improvement was [redacted] mainly [redacted] strong performance from housebuilding which [redacted] operating profits by 55 per cent to £13.5m (£8.7m).

The interim figures were [redacted] helped by [redacted] return [redacted] profits from associated residential and commercial property operations. In the corresponding half year these had incurred a £1.9m deficit.

[redacted] payments declined from [redacted]

The [redacted] dividend [redacted] maintained [redacted] 1.4p from earnings [redacted] (1.9p).

Group turnover [redacted] The number [redacted] sold [redacted] from [redacted] to 1,480. Average prices [redacted] from £81,000 to £94,000 as the group reduced production of one and two bedroom homes to concentrate on higher margin large homes.

The mainspring of the profits improvement came in southern England where the group built [redacted] homes [redacted] moved from [redacted] loss of about £2m to an operating profit [redacted] about the same amount.

Mr MacKenzie said the group had used up most of the zero and low margin land [redacted] had acquired expensively [redacted] southern [redacted] during [redacted] late 1980s.

The Midlands [redacted] the group [redacted] built about [redacted] homes, remained good, producing operating margins in [redacted] of 15 [redacted] The [redacted] of England generated [redacted] start-up [redacted]

Andrew [redacted] strong [redacted] from housebuilding

Bryant [redacted] than 3,000 homes [redacted] the current year, compared with 2,815 in 1992-93.

It anticipated that it would [redacted] building more than 4,000 homes a [redacted] by [redacted]

Construction profits improved from £2.2m to £3.1m, helped by [redacted] timing [redacted] on successful claims rather than [redacted] general improvement in contracting.

Commercial property activities fared less well with operating [redacted] increasing from £600,000 [redacted] provisions of [redacted] some commercial properties.

■ COMMENT

The [redacted] was rightly pleased with Bryant's first half performance. The [redacted] higher margin properties should continue to benefit while the [redacted] paying dividends. [redacted] high cost of the land bank – [redacted] an average £25,000 a plot (land acquired [redacted] has cost £33,000 a plot) – may cause some eyebrows to rise but is justified, says Bryant, compared with an average selling price in 1994 expected to be at least £100,000 a home. Gearing currently is about 26 per cent, compared with 3 per cent at the half year, but the balance sheet can afford it. Pre-tax profits of £32m would put the company on a prospective p/e of more than 20. Pre-tax profits of £42m in 1994-95 would still leave the group on a multiple in the late teens. This rating may be justified but seems unlikely to rise much further with most of the good news already in the share price.

BASF steps in to take over chemical group's non-core polypropylene operations

Logic that led to ICI's disposal

By Daniel Green

Polypropylene, [redacted] material made [redacted] large quantities by Imperial Chemical Industries until [redacted] is a hard plastic used for car bumpers, kitchenware, packaging and a range of other products.

However, having [redacted] almost £2bn [redacted] year and customers in many industries has not prevented [redacted] chronic fall in [redacted] in [redacted] has triggered a series of mergers and takeovers.

Polypropylene [redacted] part [redacted] petrochemicals. In common with related [redacted] poly-ethylene and polystyrene, production and prices rose strongly during the 1980s. But [redacted] saw demand fall and overcapacity exposed. The [redacted] annual price [redacted] polypropylene, for example, [redacted] fallen every year for the past five [redacted] try consultancy Trichem.

The [redacted] been strenuous attempts across petrochemicals to cut output voluntarily. So far this has met with little [redacted] although there [redacted] been [redacted] handful of plant closures such [redacted] that announced last month by BP Chemicals of its ethylene plant at Baglan Bay in Wales.

Manufacturers of polypropylene have been able to use mergers to cut costs because the [redacted] is particularly fragmented. There are no less than 17 companies operating in Europe that have market shares of more than 2.5 per [redacted] Only [redacted] companies [redacted] more than 10 [redacted] cent of capacity.

[redacted] of [redacted] industry's biggest producers [redacted] grasped the opportunity [redacted] their [redacted] Three such [redacted] either complete [redacted] awaiting only regulatory approval before completion:

● The plastics [redacted] Royal Dutch/Shell and Himont, part [redacted] Montedison, [redacted] industrial arm of the collapsed Ferruzzi empire.

● Neste of Finland and Statoil of Norway, [redacted] which will create [redacted] group [redacted] Borealis [redacted] annual [redacted] of about DM4bn (£1.5bn). About 13 per cent comes from polypropylene manufacture.

● ICI's sale [redacted] which will make the latter the second biggest producer in Europe.

In the new-look European polypropylene industry, these three dominate with more than half of total capacity. BASF moves from seventh to [redacted] pushing German [redacted] into fourth place.

BASF [redacted] points out that polypropylene [redacted] are [redacted] more quickly than [redacted] plastics. [redacted] prices [redacted] soon [redacted] too: although [redacted] polypropylene prices on average lower than in 1992, [redacted] individual months [redacted] price [redacted] imposed by manufacturers sticking. One result was that the business it is [redacted]ying from ICI halved its losses last year to about £10m compared with [redacted] previous year.

For ICI, the picture [redacted] to [redacted] more mixed. It was only the eighth [redacted] polypropylene producer in Europe. [redacted] business did [redacted] fit with its strategy of concentrating on a handful of core businesses in which it [redacted] a world [redacted] a disposal was logical.

However, the sale [redacted] polypropylene [redacted] intended to [redacted] just one half [redacted] a [redacted] which would further this strategy by strengthening [redacted] business [redacted] acrylics. [redacted] deal [redacted] originally [redacted] a [redacted] for BASF's acrylics [redacted]ation. That part [redacted] the plan collapsed [redacted] November when the two [redacted] not [redacted] a [redacted] the business, leaving ICI frustrated in its ambitions to tighten its grip [redacted] the [redacted] acrylics manufacturing industry.

WESTERN EUROPEAN PRODUCTION CAPACITY IN POLYPROPYLENE

Pre-consolidation capacity Basis end-1994 (estimated)

Company	Tonnes 000	[redacted]
Himont (Italy)	1033	[redacted]
Shell (Neth/UK)	[redacted]	11.1
Hoechst (Germany)	[redacted]	9.7
Neste (Finland)	[redacted]	7.3
Appryl (*)	350	6.2
OMV (Austria)	330	[redacted]
BASF (Germany)	310	5.5
ICI (UK)	300	5.3
DSM [redacted]	280	5.0
Others	1456	[redacted]
Total	5640	[redacted]

Post-consolidation capacity Basis end-1994 (estimated)

[redacted]	[redacted]	[redacted]
BASF/ICI	[redacted]	[redacted]
[redacted] (Borealis)	590	10.5
[redacted]	[redacted]	9.7
Appryl	[redacted]	6.2
OMV	[redacted]	5.9
DSM	280	5.0
Others	1276	[redacted]
Total	5640	100.0

*BP/Elf/Atochem joint venture

Source: Trichem Consultants

Acquisitions behind 5% rise to £151m at WMI

By Peggy Hollinger

[redacted] International, the aggressive UK-quoted arm of the US group WMX Technologies, yesterday signalled its intention to rein in the acquisition programme which [redacted] underpinned its growth in a difficult market.

Mr Nigel Wilson, finance director, said the company intended to focus on organic growth in east Asia, rather than on expansion through acquisition in Latin America or a more difficult Europe.

"The opportunities there are coming much more quickly than expected," Mr Wilson said. Between £70m and £100m had [redacted] acquisitions, against £170m [redacted]

Total capital [redacted] being sharply curtailed, from £400m to £275m.

The purchase of 48 companies was largely responsible for [redacted] group's 5 [redacted] increase in pre-tax profits to £150.9m for the year to end-December. Sales rose by 15 per cent to [redacted]

On [redacted] like-for-like basis, however, [redacted] were [redacted] lower.

The UK had returned [redacted] performance, partly due [redacted] joint venture [redacted] and [redacted] from acquisitions.

WMI [redacted] a downturn [redacted] in Italy, [redacted] political problems [redacted] holding [redacted] approvals for landfill [redacted]

Mr Wilson said he was confident that WMI would see some organic growth in Europe this year, in spite of the current [redacted] Legislation [redacted] creating new opportunities in France and Germany, he added.

In the fourth quarter, WMI reported a fall in pre-tax profits [redacted] £40.5m, [redacted] a turnround in interest. WMI [redacted] £1.9m, against [redacted] gain of [redacted] were 12 [redacted]

In line with previous policy, [redacted] no dividend. Annual earnings per share increased from 23.3p [redacted] 26.5p.

■ COMMENT

WMI [redacted] taking [redacted] logical step [redacted] pulling [redacted] a stagnant continental Europe. Yet [redacted] east Asia [redacted] promise, [redacted] is [redacted] expected [redacted] have a significant impact in [redacted] term. Forecasts [redacted] £166m [redacted] year, leaving [redacted] prospective p/e of [redacted] This [redacted] than up with [redacted] the moment, although further out the focus [redacted] prove [redacted] attractive. Perhaps the [redacted] with [redacted] payment [redacted]

[redacted] International Companies

ISSUE NEWS

Rothschild biotech trust launch

By David Wighton

The first investment trust [redacted] specialise in biotechnology shares is [redacted] to be launched [redacted] Rothschild Asset Management.

Due to be announced in the [redacted] the fund, [redacted] hopes to raise [redacted] than £100m, will seek to tap the upsurge in interest in the sector fuelled by a stream of flotations.

[redacted] companies are hoping [redacted] similar [redacted] and will be watching [redacted] keenly.

The trust will be managed by the same team which runs Biotechnology Investments, [redacted] $200m (£130m) [redacted]-registered fund launched by Rothschild 12 years ago. Headed by Mr Jeremy Curnock Cook, the team can claim to be the one of the most experienced in the sector outside the US.

The fund, which Rothschild has been working on for two years, is expected to invest in both quoted and unq[redacted]

In Britain it will have [redacted] rap[redacted] growing [redacted] companies from which [redacted] choose. [redacted] of listing rules for [redacted] businesses has led to a flood of new issues during the [redacted] 18 months with many more in the pipeline for this year.

There has also been renewed [redacted] in the US where biotechnology shares have started to recover after a two-year slump.

US experience shows that, while a few biotechnology companies have been spectacularly [redacted] most [redacted] The promoters of biotechnology trusts will argue a broadly-based portfolio should provide investors with a better chance of picking the winners.

Radstone for market via placing

By Paul Taylor

[redacted] Technology, [redacted] specialist [redacted] which [redacted] and manufac[redacted] computer subsystems for industrial and mili[redacted] coming [redacted] market through a share placing which is likely to value the Towcester-based company at between £15m and £20m.

The group is the independent market leader in the production of off-the-shelf computer boards for use in severe environments such as factories or weapons systems.

[redacted] subsystems [redacted]ply with [redacted] Versa Module Europe open systems standards it has benefited from the [redacted] from proprietary systems and from budgetary pressure on defence spending.

The group, which also owns Foundation Technology, a specialist surface mount technology board assembler, reported profits before exceptionals of £985,000 on turnover of £25.9m in the year to end-March 1993. Pre-tax profits were £1.87m. Turnover has grown at a compound rate of 14 per cent a year over the past four years and the group currently has a £21m forward order book.

[redacted] sophisticated electronic products [redacted] in [redacted] ranging from US submarine [redacted] anti-missile missile [redacted] medical nuclear magnetic [redacted] motorway toll [redacted] equipment [redacted] North [redacted] oil rig safety systems.

The group has about 500 customers [redacted] with its [redacted] largest [redacted] accounting [redacted] of [redacted] Last [redacted] main customers included Marconi, Lockheed, Siemens, IBM, Thomson [redacted] About 70 per [redacted] of [redacted] sales are military and a similar proportion [redacted] group [redacted] comes from exports.

[redacted] placing, sponsored by [redacted] Gregory, will raise about £7m in new funds for the [redacted] £4m will be [redacted] convertible stock, leaving the group with a strong [redacted] and no gearing.

The prospectus is expected to [redacted] launched [redacted] with trading in the new shares due to start [redacted] the beginning of March.

EFM seeks £75m for Latin trust

Edinburgh Fund [redacted] is hoping [redacted] more than £75m with the launch of a new investment trust [redacted] in Latin America, [redacted] Bethan [redacted]

The Edinburgh Inca [redacted] will [redacted] 70 per cent in medium and larger [redacted] and [redacted] per cent in smaller companies, initially in [redacted] Argentina, Brazil, Chile, Columbia and Peru.

The institutional placing will [redacted] this week, and the public [redacted] expected [redacted] open on March 11 and close after two weeks. Shares will be issued at 50p with one warrant attached to every five shares.

EFM launched a Latin American unit trust in 1992, which is the third best performing unit trust in the international equity growth sector over the year to February 1, according to Hardwick Stafford Wright.

Slimma gains 19p on first day

[redacted] in Slimma, [redacted] clothing and [redacted] garments manufacturer, [redacted]terday [redacted] up 19p [redacted] 141p on their [redacted] day [redacted] trading.

The closing figure represented [redacted] 21p premium over the [redacted] price. The flotation proceeds of [redacted] will [redacted] used [redacted] gearing and increase output.

F&C aims to raise at least £30m

By Bethan Hutton

[redacted] & Colonial [redacted] is to launch [redacted] capital funds, the Private Equity [redacted] trust and [redacted] limited partnership [redacted] the same investment objectives. [redacted] aim to raise at least £30m.

They will invest in small to medium-sized unquoted companies, mainly management buy-outs and companies seeking to [redacted] or make acquisitions, rather than start-up companies. The [redacted] will [redacted] initially identical portfolios, in proportion to [redacted] money [redacted] by [redacted]

After the initial investment period, the proceeds of realisations from the limited partnership will be returned to investors, whereas the investment trust will reinvest all proceeds. Both funds will have an initial life of 10 [redacted] but the investment trust [redacted] be [redacted] by [redacted] six [redacted]

[redacted] will [redacted] partly paid, with 50 per cent payable immediately, [redacted] in November 1995. There will be no public offer, and the minimum subscription in the placing will be £20,000.

Mr James Nelson, managing director of Foreign & Colonial Ventures, said there was evi[redacted] of [redacted] both [redacted] of [redacted] structure, but the [redacted] preferring [redacted] quoted [redacted] was limited.

Glaxo asthma drug wins US approval

By Daniel Green

[redacted] has belatedly won US approval for one of its most important products [redacted] 1990s, the inhaled [redacted] treatment Serevent.

The [redacted] Food and Drug Administration had been expected [redacted] approve the drug in [redacted] and [redacted] fell when [redacted] not happen.

After [redacted] approval yesterday, [redacted] 15p to end the day with [redacted] net fall [redacted] 2p [redacted]

The drug [redacted] important [redacted] Glaxo [redacted] it [redacted] Ventolin, the long [redacted] in [redacted] treatment. Such respiratory treatments [redacted] second in importance only [redacted] ulcer drugs in [redacted] peutic portfolio, accounting for [redacted] one quarter of [redacted] sales.

[redacted] older drug has now lost [redacted] of its [redacted] protection and the company is relying on Serevent to underpin its position in the market.

The drug was approved in Europe in [redacted] and should eventually reach sales of £350m a year, according to James Capel, the broker. In the last full year, Serevent sold [redacted] while Ventolin [redacted] worth £484m.

The drug had [redacted] month, however, when Italian government healthcare [redacted] by excluding [redacted] from a list of drugs the government would pay for. Glaxo lodged an appeal against [redacted] ruling.

Abbott Mead wins BT contract

By Diane [redacted], [redacted]

Abbott Mead Vickers, the advertising agency, has landed what it claims is the "largest single new business win in the history of British advertising", with a contract from British Telecommunications worth £50m in annual billings.

The agency's shares rose 27p to close at 660p.

BT said the agency's brief was to increase the personal use of telephones. Domestic use is 25-30 per cent lower in the UK than in the US and the network is a "very under-utilised fixed asset," said BT. The aim was to encourage people to make more calls and stay on the phone for longer.

There has been concern within BT that since the days of the "Beattie" campaign, which was devised by J Walter Thompson, part of the WPP group, the organisation's advertising had become too fragmented.

Recent campaigns had been divided between agencies Simons Palmer Denton Clemmow and Johnson, and Saatchi & Saatchi.

The latest move to AMV will consolidate all personal telephone advertising under one roof.

Simons Palmer and Saatchi & Saatchi, as well as BMP DDB Needham, pitched against AMV for the latest campaign.

AMV has done work for BT before: it devised its Yellow Pages advertising and is also working on raising awareness of code changes planned for next year.

Woodchester shares fall 30p on profits warning

By Tim Coone in Dublin

Shares in Woodchester Investments, the Dublin-based leasing and banking group, tumbled 30p to 128p yesterday following a profits warning from the company as a result of restructuring costs in the UK and Ireland amounting to I£15m (£14.4m).

The company reported a 6 per cent drop in pre-tax profits to I£16.4m in the first half of 1993, and said pre-tax profits for the second half, and before the new exceptional item, "will be broadly in line" with that.

Woodchester said the provisions were "deemed to be fully adequate and are of [redacted] one-off nature." They are necessary to [redacted] "an unacceptably high cost base" and to eliminate a number of "peripheral product lines which are unprofitable." The restructuring would result in [redacted] "significant improvement" in the company's long-term profitability.

[redacted] Lyonnais, [redacted] majority shareholder, "has fully endorsed the restructuring plan ... and has formally reaffirmed [redacted] full commitment [redacted] continued development [redacted] the group."

[redacted] end-1993 NCB stockbro[redacted] in Dublin [redacted] full-year pre-tax profits of I£37.5m.

Reassurance for Japanese over Rover sale

Mr Michael Heseltine, the trade and industry secretary, yesterday sought to allay Japanese concern over the sale of Rover to BMW.

[redacted] parliamentary question by Mr [redacted] Winterton, [redacted] clesfield, asked what assessment had been made of the impact of the sale on the attraction of investment from Japan.

Mr Heseltine answered: "The long held welcome which this government and country has given to investment from Japan is as strong as ever."

DIVIDENDS ANNOUNCED

	[redacted] payment	Date of [redacted]	Corresponding dividend	Total for year	Total last year
Black (Peter) ....int	1.12	Apr 29	0.93	-	3.7
Bryant ....int	1.4	Apr 26	1.4	-	4.6
Dalgety ....int	8	July 1	7.85	-	20.5
French Property ....fin	1.4	Apr 29	1.3	2.4	2.3
P&P ....fin	1.2	May 14	0.7	2	1.4

Dividends shown pence per share net.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	US Consumer prices	US Producer prices	US Earnings	US Unit labour costs	US Real exchange rate	Japan Consumer [redacted]	Japan [redacted] prices	Japan Earnings	Japan Unit labour costs	Japan Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	[redacted]
1986	[redacted]	[redacted]	102.2	99.4	85.0	100.8	95.3	101.4	103.3	[redacted]
1987	105.6	[redacted]	109.8	96.7	76.2	[redacted]	92.5	103.1	100.6	123.0
1988	109.9	103.2	[redacted]	[redacted]	71.1	102.2	92.3	[redacted]	98.2	131.1
1989	115.2	108.5	110.0	101.1	[redacted]	[redacted]	94.2	114.0	[redacted]	[redacted]
1990	[redacted]	[redacted]	113.8	104.3	73.4	109.2	95.7	120.1	98.2	108.5
1991	126.6	116.3	117.3	107.8	74.1	111.9	96.8	124.2	101.8	114.6
[redacted]	130.4	117.7	120.2	108.1	[redacted]	113.9	95.8	[redacted]	111.1	116.1
[redacted]	134.3	119.2	123.4	105.3	[redacted]	115.3				133.8
[redacted] qtr.1993	[redacted]	[redacted]	2.8	-1.9	77.5	1.2	-1.1	-0.5	[redacted]	124.2
2nd qtr.1993	3.2	[redacted]	[redacted]	-2.3	[redacted]	1.0	-1.4	[redacted]	5.3	132.9
[redacted] qtr.1993	2.8	0.6	2.5	-2.7	76.1	1.6	-1.8	0.4	4.7	140.5
4th qtr.1993	2.7	0.3	[redacted]	[redacted]	78.5	1.2				137.3
February 1993	3.2	2.0	2.5	-2.1	77.8	1.3	-1.0	[redacted]	[redacted]	[redacted]
March	3.1	2.0	2.5	-2.0	77.0	1.2	-1.2	[redacted]	3.6	[redacted]
April	[redacted]	[redacted]	2.5	-2.1	75.6	0.9	-1.3	2.0	5.4	[redacted]
May	3.2	2.1	2.5	-2.1	75.5	1.1	-1.5	2.3	6.1	132.0
June	3.0	1.3	2.5	-2.8	75.8	1.0	-1.5	-0.9	[redacted]	[redacted]
July	2.8	1.3	2.5	-2.5	77.1	1.6	-1.7	-1.2	5.4	[redacted]
August	2.8	0.5	2.5	-2.7	[redacted]	[redacted]	-1.8	[redacted]	[redacted]	[redacted]
September	2.7	[redacted]	[redacted]	[redacted]	75.3	[redacted]	-2.0	1.5	5.4	139.2
October	[redacted]	0.2	2.5	-3.1	75.6	1.2	-2.1	0.6	6.0	138.3
November	2.7	0.3	[redacted]	-2.5	76.7	[redacted]	-2.1	0.9		138.5
December	2.8	0.2	3.3	[redacted]	77.2	[redacted]				135.4
January 1994					77.2	1.4				133.7

	Germany Consumer prices	Germany [redacted]	Germany Earnings	Germany Unit labour costs	Germany Real exchange rate	France Consumer prices	France Producer prices	France Earnings	France [redacted] costs	France Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.8	103.8	107.5	102.5	97.2	104.5	101.5	103.4
1987	100.1	95.1	108.0	107.1	111.0	105.9	[redacted]	107.8	103.0	104.8
1988	101.4	96.2	113.0	[redacted]	110.1	108.8	[redacted]	111.1	103.8	102.2
1989	104.2	99.3	117.3	[redacted]	107.9	112.6	108.4	115.4	[redacted]	99.8
1990	107.0	101.0	123.8	110.3	110.9	116.5	107.1	120.6	109.5	103.6
1991	110.7	103.4	131.8	115.0	108.4	120.2	105.6	125.8	113.8	101.7
[redacted]	115.1	104.8	[redacted]	121.5	111.0	[redacted]	[redacted]	130.3	[redacted]	105.2
[redacted]	119.8	[redacted]			112.5	125.6		133.7		107.9
[redacted] qtr.1993	[redacted]	0.5	n.a.	[redacted]	113.9	[redacted]	-2.3	n.a.	4.4	109.4
2nd qtr.1993	4.2	[redacted]	n.a.	[redacted]	111.9	2.0	-3.4	n.a.		109.2
[redacted] qtr.1993	4.2	[redacted]	n.a.	[redacted]	112.0	2.2	-3.4	n.a.		108.0
4th qtr.1993	[redacted]	-0.2	n.a.		[redacted]	2.1		n.a.		107.0
February 1993	[redacted]	0.5		11.4	114.1	2.1	n.a.	–	n.a.	108.7
March	[redacted]	[redacted]		[redacted]	113.5	2.2	n.a.	3.4	n.a.	[redacted]
April	4.3	0.1		[redacted]	113.1	2.1	n.a.	–	n.a.	[redacted]
May	4.2	-0.3		[redacted]	111.9	2.0	n.a.	–	n.a.	109.3
June	4.2	-0.4		[redacted]	110.8	1.9	n.a.	[redacted]	n.a.	108.5
July	[redacted]	-0.2		[redacted]	110.3	[redacted]	n.a.	–	n.a.	[redacted]
August	4.2	-0.3		0.2	111.9	2.2	n.a.	–	n.a.	104.9
September	[redacted]	-0.5		1.4	[redacted]	[redacted]	n.a.	[redacted]	n.a.	[redacted]
October	[redacted]	-0.3		[redacted]	113.6	2.2	n.a.	–	n.a.	106.7
November	[redacted]	-0.2			112.1	2.2	n.a.	–	[redacted]	106.4
December	3.7	-0.1			111.2	[redacted]	n.a.	2.2	n.a.	107.9
January 1994	3.4				109.5		n.a.	–	n.a.	[redacted]

	Italy Consumer prices	Italy Producer [redacted]	Italy Earnings	Italy Unit labour costs	Italy [redacted] exchange rate	UK Consumer prices	UK [redacted] prices	UK Earnings	UK Unit labour costs	UK Real exchange rate	
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	[redacted]
1986	106.1	100.2	104.8	102.7	101.3	103.4	101.4	107.7	104.5	94.2	1986
1987	111.0	103.2	111.8	105.5	102.0	107.7	104.9	116.3	105.9	[redacted]	[redacted]
1988	116.5	106.8	118.4	[redacted]	100.2	113.0	[redacted]	126.2	[redacted]	102.4	1988
1989	[redacted]	113.1	125.6	[redacted]	103.6	121.6	113.9	137.2	113.6	101.3	1989
1990	131.8	117.8	134.7	[redacted]	106.2	133.3	121.0	150.1	123.2	102.8	[redacted]
1991	140.3	121.7	147.9	131.3	104.9	141.2	127.5	162.4	131.7	[redacted]	1991
[redacted]	147.7	124.0	155.9	136.8	101.4	146.4	131.5	173.1	133.8	103.0	1992
[redacted]	153.9				86.7	148.7	136.7			95.2	[redacted]
[redacted] qtr.1993	[redacted]	3.1	2.8	4.4	86.4	1.8	3.6	4.7	-2.7	92.6	1st qtr.1993
2nd qtr.1993	4.1	3.9	3.1	2.8	88.0	1.3	4.0	5.0	-1.9	[redacted]	2nd qtr.1993
[redacted] qtr.1993	[redacted]	[redacted]	4.1		[redacted]	1.6	4.3	4.4	-0.6	96.7	3rd qtr.1993
4th qtr.1993	4.1				[redacted]	1.6	[redacted]			96.6	4th qtr.1993
February 1993	4.4	2.9	2.8	n.a.	86.6	1.8	3.6	5.1	-2.5	[redacted]	1993 February
March	4.2	3.4	2.7	n.a.	84.5	1.9	3.7	4.2	-2.7	[redacted]	March
April	4.2	3.7	2.6	n.a.	85.1	1.3	4.0	5.3	-1.3	95.0	April
May	[redacted]	3.9	2.6	n.a.	89.2	1.3	[redacted]	4.8	-4.1	95.1	[redacted]
June	[redacted]	4.1	4.1	n.a.	[redacted]	1.2	4.0	4.9	-0.4	94.7	June
July	4.4	4.2	4.1	n.a.	[redacted]	1.4	4.2	5.0	-1.1	97.0	July
August	[redacted]	[redacted]	4.1	n.a.	87.5	1.7	4.3	3.6	-1.0	96.8	August
September	[redacted]	[redacted]	4.2	n.a.	[redacted]	1.8	[redacted]	[redacted]	0.2	98.2	[redacted]
October	4.3	4.1	3.9	n.a.	[redacted]	1.4	4.0	3.8	0.4	[redacted]	[redacted]
November	4.2			n.a.	85.0	1.4	3.6	[redacted]	0.1	96.6	November
December	4.0			n.a.	[redacted]	1.9	4.0			[redacted]	December
January 1994	[redacted]			n.a.	[redacted]					99.1	[redacted]

Statistics for Germany apply only to [redacted] Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Peter Black advances 22% to top £7m

By Tim Burt

Increasing demand from Marks and Spencer [illegible] fuelled [illegible] 22 per [illegible] in interim profits [illegible] Black, the supplier of footwear, cosmetics and [illegible] to the UK's most profitable retailer.

Reporting pre-tax profits of £7.01m (£5.73m) for the six months [illegible] December 4, the West Yorkshire-based [illegible] the improvement would [illegible] significant opportunities for organic growth.

[illegible] opportunities have persuaded the group, which relies on M&S for [illegible] cent of [illegible] turnover, to commit £10m to [illegible] new plant making personal care products in [illegible] Derbyshire. Mr Gordon Black, joint chairman, said the development was justified by [illegible] per cent [illegible] turnover [illegible] (£61.1m).

"The strong [illegible] generating capability [illegible] business [illegible] the [illegible] maintain [illegible] of [illegible] in product development, plant [illegible] information technology while [illegible] eliminating gearing," [illegible]

Borrowing [illegible] down by almost [illegible] against the [illegible] ond half figure and Mr Black, [illegible] family controls 30 per cent of the equity, said [illegible] sion in its three [illegible] be financed from [illegible]

[illegible] those divisions, personal care products accounted for [illegible] largest [illegible], up 23 [illegible]. Improved turnover [illegible] (£21m) was due partly to buoyant demand for [illegible] health products, including vitamins and [illegible] remedies sold under its English Grains label.

Growing imports [illegible] Italian [illegible] helped [illegible] footwear and accessories division [illegible] pre-tax profits by 26 [illegible] to [illegible] (£2.23m) on turnover [illegible] 12 per [illegible]

The distribution, [illegible] retail [illegible] – including factory outlets [illegible] the Hornsea Freeport shopping centre – [illegible] to profits despite flat turnover [illegible] (£7m).

Earnings per share [illegible] (7.05p) and [illegible] interim [illegible] up to 1.12p (0.93p).

■ COMMENT

Should [illegible] collapse, Peter Black executives claim they could [illegible] a profit running [illegible] would-be M&S suppliers. Certainly [illegible] products for [illegible] St [illegible] paid rich dividends. [illegible] company [illegible] potential [illegible] by [illegible] supply [illegible] Sainsbury, [illegible] and Safeway. That strat[illegible], coupled [illegible] flourishing [illegible] network serving 30 companies, has [illegible] full [illegible] profit [illegible] £11.5m, giving [illegible]. While [illegible] for investors seeking [illegible] quick gain, [illegible] long-term growth.

Ashley Ashwood

Gordon Black: strong [illegible] generating capability

A life of champagne or Valium

Peter John considers the thrills and dangers of large share deals

Share traders say the most nerve-wracking moment of a "bought deal" [illegible] the [illegible] minutes before the first bite from buyers.

After weeks of research and negotiations, [illegible] has bought [illegible] multi-million pound block [illegible] a [illegible]ny's [illegible] one investor and then has [illegible] find other [illegible] to [illegible] them [illegible] its [illegible]. For [illegible] short time between making [illegible] institutions and the buy orders flooding in, dealers cannot be sure whether they will be cracking [illegible] champagne or Valium.

Bought deals are one of the bigger adrenalin rushes of the stock market. They place reputations of senior salesmen and heads of marketmaking under intense pressure as they put the capital of their companies at risk.

Last week, Smith New Court, the securities house with one of the most aggressive trading reputations in the UK, paid £162m for 46m shares in Prudential, the UK's biggest insurance company.

It is the second time in two weeks that the securities house has taken on risky share sales. Three weeks earlier it traded 13m shares in Great Universal [illegible]

[illegible] market had fallen heavily between the time Smith agreed the Prudential deal and the time it started to offer shares for [illegible] there would have been ways of protecting against huge losses.

The broker could have hedged against any falls using the derivatives market, for example by buying call options which give the right [illegible] sell [illegible] a pre-set price [illegible] time.

However, once word [illegible] into [illegible] market that [illegible] had a large [illegible] for sale the result depended purely on the appetite of the stock market and the broker's ability to place the [illegible] quickly.

Bought deals are the adrenalin rushes of the stock market. They place reputations of senior salesmen and heads of marketmaking under an unforgiving spotlight

Smith has analysts dedi[illegible] identifying potential clients inter[illegible] in buying or selling large stakes. The Prudential deal began weeks ago when Smith approached [illegible] investment fund, believed [illegible] Baring Securities, which appeared willing to sell its Pru stake.

Mr Michael [illegible] chief executive, and Mr David *Marks (no relation), head of its* UK marketmaking, discussed the deal with half [illegible] dozen senior colleagues. They met in the "goldfish bowl", [illegible] office above the trading room where significant decisions are made, and agreed they would be interested in taking on the stake, representing almost 2.5 per cent of Prudential's equity.

Subsequently, senior sales traders from the securities house rang financial institu[illegible] gauge what [illegible] of [illegible] they would [illegible] to persuade them [illegible] buy large blocks of shares.

Early last week, the [illegible] hitting new highs [illegible] Prudential shares were [illegible] about [illegible] found that fund managers were prepared to pay [illegible] decided they could pick up the stake at 350p.

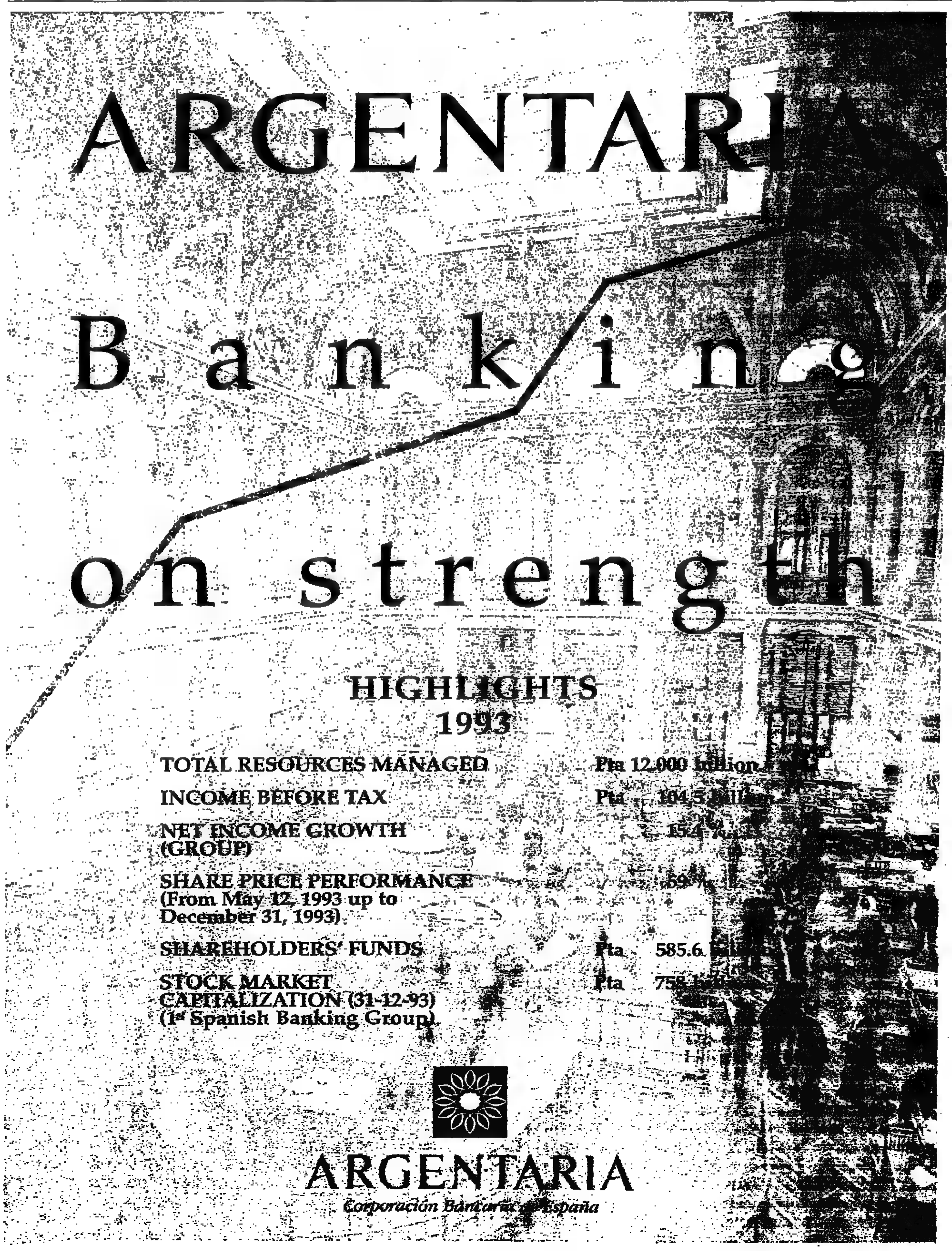
With that "turn" Smith stood to make a profit of £1.8m. However, [illegible] is more [illegible] that the broker would have reckoned on about half [illegible] being [illegible] price [illegible] the rest being offloaded on [illegible] sliding [illegible]. That would probably still leave Smith £1m to the good, according [illegible] rival [illegible]lysts' estimates.

T[illegible] 'pre-placed' many [illegible] the shares by getting [illegible] from their best institutional clients.

Smith did not buy the shares until shortly [illegible] desk had to face the test of the market [illegible] Thursday [illegible]noon. If the [illegible] was not sufficiently generous rival marketmakers would have cut the price at which they were offer[illegible] Prudential [illegible] forcing Smith to slash [illegible] potential profits in order [illegible] the shares away.

The only option would have been to hold the stake until the excitement subsided and then ease the stock quietly into the market over the coming [illegible]

In the event, Smith sold the entire stake, including [illegible] had been pre-placed, on Thursday [illegible]. The Valium [illegible] put back in the drawer – until next time.



NEWS DIGEST

Blockleys shares show further rise

Blockleys, the Shropshire-[illegible] brick [illegible] pavior maker, yesterday [illegible] it knew [illegible] reason for the recent increase in its share price.

Last night Blockleys' shares closed up 12p at 83p following a 5p rise on Friday.

In 1992, the company reported [illegible] fall in pre-tax profits to £352,000 (£1.06m) and for the first half of [illegible] was [illegible] further decline [illegible] £261,000 (£410,000).

Life Sciences buys in Belgium

Life Sciences International has acquired the business and certain net assets of [illegible] International [illegible] for BFr5m [illegible]

Techgen, which was in liquidation and distributes [illegible]tific equipment and consumables [illegible] research laboratories, had turnover of BFr45m in the year ended June [illegible] 1993.

Bradstock buys insurance broker

Bradstock, the [illegible] broker, [illegible] acquire [illegible] Dick[illegible] a broker specialising in [illegible] and [illegible] for the freight transport industry.

Initial consideration is £2.43m, of which £500,000 is in cash and £1.93m in unsecured loan stock. A deferred amount of up to £1.75m may be payable in loan [illegible] dependent on Jensen's future results.

[illegible] of [illegible] in [illegible] (£1m). Pre-tax profits rose from £52,000 to £277,000 and further growth is expected for 1993.

Net [illegible] 31 [illegible] (£179,000).

Low & Bonar makes C$6.3m acquisition

[illegible] subsidiary [illegible] Low [illegible] Bonar, [illegible] and materials group, is buying the multiwall paper and indus[illegible] plastic bag [illegible] Twinpak for [illegible] (£3.3m) cash.

It will pay C$4.6m on completion and the balance a year later. It will also transfer [illegible] coating and laminating [illegible] with [illegible] book value of C$4.7m.

Birkdale disposal eliminates debt

[illegible] Group, the loss-making advertising, public [illegible] and marketing company, [illegible] Macmillan [illegible] Group and [illegible] for £1.61m cash.

The consideration, which includes [illegible] repayment of inter-company debt, will [illegible] adjusted according [illegible] net liabilities of Macmillan Davies on the completion date.

The disposal will result in a profit of about £250,000, which will be used to eliminate outstanding borrowings.

Birkdale raised some £4.7m last year [illegible] rights [illegible] to finance the acquisition of MK Design-in-Store. It also sold [illegible] Broadbent [illegible]ing agency for £127,000.

In the six months to end-September 1993 the group incurred a pre-tax loss [illegible] on turnover of £10.4m.

AXA Equity premium income tops £1bn

Total premium income [illegible] AXA Equity [illegible] Law, [illegible] life assurance and pensions arm of the AXA group, exceeded £1bn for the first time in 1993.

[illegible] funds under [illegible]ment in its unit trust subsidiary also exceeded £1bn for the first time.

Total [illegible] rose by 20 [illegible] cent, from £675m to [illegible]

Within [illegible] UK, the [illegible] reflected the emphasis throughout the life industry [illegible] single premium rather than regular premium products.

Total UK insurance single premiums [illegible] by 19 [illegible] cent to £520m, helped by [illegible] doubling [illegible] unit-linked life single premiums [illegible]. [illegible] single premiums were, however, 7 [illegible] lower [illegible] £155m.

There [illegible] 1 per cent [illegible] in new annual premiums in [illegible] UK, [illegible] particular [illegible] in mortgage-related business.

In[illegible] pensions annual premiums fell by [illegible] per cent [illegible] just [illegible] £24m.

Total [illegible] AXA Equity [illegible] Law International, [illegible] group's [illegible] company, [illegible] by 39 per [illegible] £60m.

هكذا من الاصل

Withdrawal from low margin computer distribution business behind advance

Slimmer P&P ahead sharply at £4.1m

By Paul Taylor

P&P, the personal comp[redacted] distributor and computing services group [redacted] has pulled out [redacted] the low margin, high volume computer [redacted] business [redacted] the past 12 months, yesterday reported sharply higher full-year pre-tax profits.

Profits of £4.1m in the 12 [redacted] to November [redacted] compared with [redacted] pre-FRS 3 [redacted] of [redacted] time. [redacted] adoption of new accounting rules resulted in [redacted] the prior [redacted] show [redacted] pre-tax [redacted] exceptional charges.

Turnover [redacted] relatively stable [redacted] despite the continued [redacted] in unit product prices throughout [redacted] and the disposal [redacted] volume [redacted] tribution [redacted] in [redacted] UK and Belgium, which [redacted] to [redacted] turnover.

However, [redacted] flat turnover [redacted] change in the [redacted] mix [redacted] group withdrew from the lower margin [redacted] focus [redacted] higher margin computing services [redacted] higher [redacted] computer product [redacted]

Overall [redacted] margins, including the discontinued operations, improved [redacted] 19.1 per [redacted] per cent, while the gross margin [redacted] continuing operations was [redacted]

At the operating [redacted] profits [redacted] (£3.14m) including [redacted] businesses. [redacted] David Southworth, group managing director, said P[redacted] was targeting [redacted] per cent net margin.

[redacted] transition year for the [redacted] very pleasing [redacted] reflect [redacted] during [redacted] against the background [redacted] market, [redacted] refocusing [redacted] activities."

The pre-tax profits [redacted] struck after £4.63m of losses on the disposal of discontinued operations, offset by a £4.74m utilisation of 1992 provisions, and £535,000 (£1.13m) of net interest costs. The group ended the year with £7.5m of net cash, up from £3m a year earlier.

Earnings per share of 4.3p compare with fully diluted earnings of 1.9p before the FRS 3 restatement and a 14p a share losses after restatement. The final dividend is increased by 71 per cent to 1.2p, making a total for the year of 2p (1.4p).

● **COMMENT**

P&P's management has successfully disengaged the [redacted] from [redacted] high volume distribution busi[redacted] where [redacted] margins [redacted] paltry 10 per cent to concentrate [redacted] higher margin services [redacted] products – including [redacted] top communications market. [redacted] been brought under control, and [redacted] future [redacted] will [redacted] targeting profit rather [redacted] turnover. Pre-tax pro[redacted] reach [redacted] this [redacted] producing earnings of about 5.6p. [redacted] shares, which [redacted] 1p to [redacted] yesterday, are trading on a prospective p/e multiple [redacted] 14.6 and, despite [redacted] recent run-up, [redacted] have recovery potential.

Possible bid for IFM if SE quote is kept

By Tim Burt

Workers [redacted] International [redacted] Machinery, [redacted] second-hand catering equipment supplier, were [redacted] yesterday [redacted] continue [redacted] placed in receivership.

Arthur Andersen, [redacted] as receiver [redacted] Friday, [redacted] the [redacted] would be [redacted] it [redacted] for [redacted]

The [redacted], which [redacted] only 14 [redacted] called in [redacted] following a meeting with its bankers.

"We have had contact with two parties interested in the group," the receivers said.

One of those bidders said yesterday that it had put together an offer worth at least £1m, although that depended on IFM retaining its Stock Exchange listing.

Mr David Lessen-Diesen, the property investment entrepreneur, said the receivers had contacted his group asking whether their offer, first proposed last December, was still on the table. "We are keen to proceed but only if it keeps the quote, allowing us to get funding from institutions," he said.

The other interested group is thought to involve IFM board members and Mr Sandy Saunders, the former Sunleigh director.

Manchester City [redacted] full listing [redacted] goal

By Gary Evans

Details of Mr Francis Lee's takeover at Manchester City Football Club emerged yesterday as the premier league club confirmed that it intended to apply for a Stock Exchange listing. The shares are currently traded under Rule 535.2.

Mr Lee, [redacted] player [redacted] appointed [redacted] Dunkerley [redacted] appointed [redacted] Former chairman Mr [redacted] Swales, has resigned as a director but has accepted an invitation as life president.

Mr Lee has acquired 112,337 ordinary shares in the club from Mr Swales and Mr Stephen Boler at £13.35 per share. Together with concert parties, he now holds 224,998 shares, or 29.99 per cent of the voting share capital.

Although Mr Lee will not make an offer for the entire share capital at this stage, he has undertaken to meet any obligation to make a general offer which might arise under the Takeover Code, as a result of any future share purchases or loan stock conversions.

An extraordinary meeting will be asked to approve the issue of up to £4m of convertible unsecured loan stock at par. Mr Lee has agreed to subscribe for at least £3m of loan stock, which on conversion would result [redacted] the issue of up [redacted] 300,000 ordinary shares (28.6 per cent of enlarged voting capital).

The funds will be used to meet working capital requirements and for player acquisitions and ground development.

Mr Lee received a rapturous reception at the weekend from the club's Maine Road fans when the team, currently struggling near the [redacted] premiership, achieved only their second league win in four months, against Ipswich Town.

NEWS DIGEST

Brake Bros in £1.9m purchase

Brake Bros, which supplies frozen food to the catering industry, has bought Jesse Robinson for £1.9m.

The deal, which includes associate John Hill, is to be satisfied by the issue of 145,000 shares with the rest in cash. Robinson is a family business which supplies frozen food and fresh fish to the catering industry in the Nottingham area.

French Property net assets at 97.34p

French Property Trust reported net assets per share of 97.34p at December 31, against 73.29p a year earlier.

[redacted] for [redacted] was [redacted] (£377,924) for earnings per share of 1.79p (1.51p). There is no interim dividend, but an [redacted] final [redacted] 1.4p (1.3p) compares [redacted] previous year's total of 2.3p.

Nurdin & Peacock to convert branches

Nurdin & Peacock plans [redacted] invest £10m over the next few months in converting 44 cash and carry branches – almost its entire network – into trade and business warehouses.

The range of products will be extended to include office supplies and business machines. It is also launching a new discount scheme, Cashback Plus, for [redacted] spending more than £1,000 a week.

Java Trust net assets almost doubled

Net assets per share of EFM Java Trust stood at 61.39p at December 31, almost double the 32.88p standing 12 months earlier.

The after-tax deficit came out at £28,000 (£54,000), and losses per share worked through at 0.09p (0.18p).

Barlo purchase and placing

Barlo Group, the Dublin-based radiator and plastics maker, is to acquire [redacted] radiator manufacturing [redacted] Veha, [redacted] in Wicklow, for [redacted] (£3.8m).

At [redacted] same time, Barlo [redacted] calling for I£6.45m net via a placing of 7.5m new shares with Irish and UK institutional investors at 88p per share.

Expansion for Hanson offshoot

Peabody Resources, the Australian coal producer and part of US-based Peabody Holdings, itself a subsidiary of Hanson, has acquired an additional 15 per cent of Warkworth Associates bringing its interest to 43.75 [redacted]

The vendor was Westpac Banking Corporation; no pur[redacted] price was [redacted] Peabody Resources [redacted] the operations of Warkworth, [redacted] mining [redacted]

LONDON RECENT ISSUES

Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the [redacted] category of the London Share Service if the company so [redacted]

In the full wee[redacted] editions of the FT, published on Tues[redacted] to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.

On Saturdays it appears on the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

Russian output cut bolsters aluminium

By Kenneth Gooding, Mining Correspondent

Reports of [illegible] output cut by a Russian aluminium smelter and that a second [illegible]tralian smelter was to reduce production immediately helped the metal's price move up [illegible] yesterday on the [illegible] Metal Exchange.

Sentiment [illegible] also helped by Mr Vladimir Kalchenko, [illegible] deputy director of Con[illegible] Aluminiy, the producers' association, who told the Reuter news [illegible] in [illegible] that [illegible] Russian government had [illegible] reluctant smelters to make cuts. Some analysts [illegible] Russian industry [illegible] doubt on [illegible] republic's ability [illegible] live up [illegible] its undertaking to help restore the [illegible] by reducing its annual aluminium production by [illegible] tonnes.

He [illegible] that the [illegible] in Siberia had closed [illegible] operations [illegible] and this would trim [illegible] output by [illegible].

Reuter also reported that, [illegible] in the Commonwealth of Independent States, Tajikistan's aluminium [illegible] it would [illegible] down completely [illegible] night [illegible] als held up at the border with Uzbekistan, another [illegible] republic, [illegible] claimed [illegible] ship[illegible]. The Tajik [illegible] is one of the [illegible] in the world with an annual capacity of [illegible]. But analysts believe it produced only 280,000 [illegible] last year.

At the weekend Alcoa of Australia said it would immediately cut output at its Point Henry smelter in Victoria by 14 per cent or 25,000 tonnes a year. This brings the annual production cuts announced by western producers since trade delegates from some of the big aluminium-producing countries signed a memorandum of understanding on January 28 to 346,000 tonnes.

Mr Angus MacMillan, research manager for Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said the aluminium market was in limbo at present. "Only the brave or the very foolhardy are taking positions," he said. The cuts so far had moved aluminium's price into a new trading range: between $1,375 and $1,375 a tonne. Last night aluminium for delivery in three months closed on the LME at $1,300.50, up $5 a tonne.

Minerals sector needs to woo foreign capital

Most of the existing mining industry is in a pitiful state, writes David Humphreys

Opening the school of mines in St Petersburg in 1719, [illegible] the Great proclaimed: "Our [illegible] state, in comparison with many other foreign countries, is [illegible] all [illegible] metals and minerals". This perception [illegible] as a [illegible] house [illegible] minerals persisted until recently. It [illegible] both by a communist regime [illegible] self-sufficiency in raw [illegible] as an important element in [illegible] nation's capacity for [illegible]mination [illegible] by [illegible] in the [illegible] the notion to [illegible] dangers of Soviet infiltration in other mineral-rich parts of the world, notably southern Africa.

[illegible] opening up of Russia to the West the existence of [illegible] deposits of oil and gas has been confirmed. For metals, however, the evidence is far less clear. Moreover, some of the resources that do [illegible] in [illegible] regions [illegible] lack the infrastructure [illegible] permit the [illegible] of viable mining activities.

What is clear is that most of the existing mining industry is in a pitiful state. Grades at copper, [illegible] and zinc [illegible] well below [illegible] in the West; [illegible] mineral from [illegible] aluminium [illegible] produced [illegible] of a quality that would not be used elsewhere; [illegible] gold deposits of the far eastern region, long [illegible] mainstay of [illegible] production, [illegible] largely worked out. [illegible] mined from a deposit of genuine world class, that [illegible] Norilsk, in the far north.

Throughout [illegible] industry under-investment [illegible] left operations with inadequate equipment, very low productivity [illegible] primitive [illegible] protection practices.

[illegible] problems [illegible] being [illegible] daily by [illegible] transport [illegible] by a breakdown in [illegible] system. In [illegible] country's production [illegible] by [illegible] per cent, of [illegible] by [illegible] per [illegible] of [illegible] by 48 per cent.

[illegible] option [illegible] to [illegible] tion [illegible] on downstream manufacturing activities. [illegible] for [illegible] Firstly, [illegible] condition of [illegible] mining industry is, the [illegible] this [illegible] of [illegible] healthier [illegible] sectors; Secondly, metals are important export items (second only to oil and gas) and for [illegible] future [illegible] sell; [illegible] finally, attempts to compete in manufacturing will pitch Rus[illegible] competition with the low-wage economies of the [illegible] East and [illegible] strategically located countries of Europe.

To develop Russia's mining industry [illegible] require capital, and capital is one thing Russia does not have. One answer is [illegible] turn [illegible] foreign investors. [illegible] although [illegible] their public statements the [illegible] authorities appear favourable to foreign investment, [illegible] practice they [illegible] ambivalent. There remains a deep-rooted suspicion of the motives of foreigners and a fear [illegible] under-selling [illegible] country's mineral wealth. To the extent that a role is seen for foreign companies, it is frequently in the development of deposits of too low a grade of too complex for local companies. The successes [illegible] the [illegible] in the December parliamentary elections can only reinforce these [illegible].

[illegible] country [illegible] obliged [illegible] accept foreign investors on its soil, but if Russia really is interested in involving foreign capital in major mining development there are issues that it needs to address:

- Greater openness is needed. Before all else, western companies have to be [illegible] that there is something [illegible] investing in. At present, how[illegible], they are only able to visit [illegible] by invitation [illegible] work from lists containing limited detail.
- [illegible] is required [illegible] how jurisdiction over mineral [illegible] divided between the centre and the [illegible]. [illegible] was preoccupied [illegible] the [illegible] President Yeltsin and [illegible] parliament, [illegible] took the opportunity to assert sovereignty over [illegible]. The new [illegible] appears to [illegible] this tendency, but the need for clarification remains.
- Finally, greater realism needs to be displayed in the legal and fiscal conditions for foreign [illegible]. [illegible] mining companies will need to [illegible] they will [illegible] a [illegible] Russian legislation [illegible] has been framed with oil and gas in mind and is inappropriate for hard minerals. For instance, the typical demand for a 20 per cent royalty on revenue from gold mining in addition to a 35 per cent tax on profits, could easily translate into and effective tax rate of over 100 per cent of profits.

Russia has been edging towards a new role in a competitive world economy. In this economy, countries wanting [illegible] in compete for it, just as companies have to compete for good investment opportunities. Unfortunately, [illegible] left [illegible] an adequate basis for international comparison [illegible] permitted the perpetuation of myths [illegible] wealth. Russia is not a special case. It [illegible] mineral deposits, but these are of little value without the capital to get them out.

In the world that Russia is joining, capital [illegible] without capitalists.

[illegible] Humphreys [illegible] deputy chief economist at the RTZ Corporation. His monograph "[illegible]ing and Metals in the CIS": Between Autarky and Integration" is published today by the Royal Institute of International Affairs.

Codelco output boost ruled out

By David Pilling in Santiago

Codelco, the world's biggest copper producer, would not change its production plans to compensate for $207m losses on futures trading, said Mr Alejandro Noemi, who resigned as president at the weekend.

The plans aimed to give it maximum output without damaging its long-term viability and this would not be put at risk by a boost in output for two or three months, he added.

An interim report into the losses concluded that failure to implement controls had allowed Mr Juan Pablo Dávila, the chief futures trader, to mount more than 5,000 operations in the four months from September 1993 that caused losses of $164m on copper futures, $30.6m on silver and $12.1m on gold.

Codelco confirmed that Mr Dávila put details of transactions into his computer incorrectly last September. Failure of controls had allowed him to start a desperate attempt to retrieve the situation.

Gold seen struggling to top $400 this year

By Kenneth Gooding

Gold's price would find it very difficult to move above $400 a troy ounce, Mr Peter Munk, chairman of American Barrick Resources, one of North America's biggest gold producers, said yesterday.

But neither did he expect the price to drop below $280. [illegible] would trade in "a steady, stable, profitable range like most commodities," he told analysts and institutional investors [illegible] London.

Earlier Mr Bob Smith, Barrick's president, reported that the group's hedging policy ensured it would receive more than $400 an ounce for its output for the next two years while retaining the flexibility to take some of the gains should the price go above that level. The London gold price closed last night at $384.70 an ounce.

Barrick produced 1.632m ounces of gold last year and had set targets of 1.8m for 1994 and 2m for 1995, said Mr Smith during the company's annual European "road show".

Mr Munk recalled that Barrick was set up only ten years [illegible] to become a "pure" gold company operating solely in North America. Today it was North America's [illegible] profitable gold producer and [illegible] of the [illegible] reserves.

[illegible] Barrick [illegible] its "balance sheet, track record, credibility" and [illegible] North [illegible] know-how [illegible] technology [illegible] expand internationally while continuing to [illegible] only on [illegible] will become [illegible] dominant internationally [illegible] have [illegible] in North America," Mr Munk promised.

Mr Smith said [illegible] international [illegible] gaining momentum with [illegible] in Mexico, Chile, Peru and China. American Barrick was looking for opportunities elsewhere in the world and was willing to make strategic investments in two or three exploration companies that had assembled land positions in areas of interest to the company but where it had no exploration [illegible] its own.

Lead and nickel remain in surplus

By Kenneth Gooding

Net imports from the former eastern bloc countries helped [illegible] lead and [illegible] markets in supply [illegible]pluses [illegible] though [illegible] levels.

Imports [illegible] nickel reached a record 135,000 tonnes, representing more than 20 [illegible] consumption, according [illegible] International [illegible] Study Group. [illegible] from 128,000 tonnes to 121,000.

In spite of the [illegible] exports [illegible] supply surplus fell from 70,000 [illegible] tonnes, [illegible] study [illegible]. This [illegible] because consumption in the west rose by nearly [illegible] per cent, from 627,000 to 652,000 tonnes, [illegible] producers [illegible] back output by 3.5 per cent, from 576,000 to 556,000 tonnes.

Western nickel mine output last year was down [illegible] per cent, from [illegible] tonnes, the study group reports.

Meanwhile, the International Lead and Zinc Study Group [illegible] lead mine output in the western [illegible] in 1993 [illegible] level in 30 years.

Canada bore the brunt of the [illegible] and [illegible] suspension of production at Curragh [illegible] contributed to a drop of 47 per [illegible] in [illegible] country's lead mine output.

[illegible] mine production [illegible] 2.084m tonnes last year, a fall of 265,000 tonnes or 11.5 per [illegible] from 1992. The study group says the fall in mine output caused absorption of some of the very large surplus stocks of lead concentrate (an intermediate material) that accumulated in 1990 and 1991. This is expected to influence trade patterns with eastern Europe and the former [illegible] Union this year, reducing [illegible] flow [illegible] concentrate for toll smelting in those regions.

Last year net imports of refined [illegible] former eastern bloc countries slipped from 169,000 [illegible] helping to cut the west's [illegible]ply surplus from 154,000 tonnes to 84,000 tonnes.

The western lead industry compensated [illegible] eastern imports by cutting [illegible] refined metal output, [illegible] 1 per cent to 4.397m tonnes. Meanwhile, consumption moved up by [illegible] tonnes. Stocks rose by 61,000 tonnes to 653,000 tonnes by the year-end, equivalent [illegible] 7.6 weeks' consumption.

MARKET REPORT

Cocoa prices in retreat

Disappointed liquidation [illegible] COCOA futures prices [illegible] London Commodity Exchange yesterday [illegible] early buying [illegible] to achieve the breach of resistance around £900 a tonne for May delivery. By the close the price had surrendered all but £5 [illegible] Friday's [illegible] close at £872 a tonne.

But COFFEE prices maintained their rally with a $13 [illegible] to $1,212 a tonne.

As speculative interest slackened base metals prices generally succumbed to profit-taking at the London Metal Exchange.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1280.5-1.5	[illegible]
Previous	1276.5-7.5	[illegible]
High/low	-	1160/1150
AM Official	[illegible]	1294.5-5.0
Kerb close	1157-60	
Open int.	274,064	
Total daily turnover	84,319	

ALUMINIUM ALLOY ([illegible])

Close	1140-2	1160-2
Previous	1130-5	1152-5
High/low	1275	[illegible]
AM Official	1132-5	1152-4
[illegible]	1295-6	
Open int.	3,437	
Total daily turnover	368	

LEAD ($ per tonne)

Close	[illegible]	[illegible]
Previous	510-1	[illegible]
High/low	-	[illegible]
AM Official	505-5.5	518-9
Kerb close	518-5.5	
Open int.	34,327	
Total daily turnover	[illegible]	

NICKEL ($ per tonne)

Close	[illegible]	5875-85
Previous	[illegible]	[illegible]
High/low	5820	5930/5860
AM Official	5810-5	5875-80
Kerb close	[illegible]	
Open int.	54,021	
Total daily turnover	12,558	

TIN ($ per tonne)

Close	5375-80	[illegible]
Previous	5400-10	5445-50
High/low	-	5450/5360
AM Official	5345-55	5405-10
Kerb close	5435-40	
Open int.	19,291	
Total daily turnover	[illegible]	

ZINC, special high grade ($ per tonne)

Close	1003-4	1023.5-4.0
Previous	1013.5-4.5	1033-4
High/low	-	1035/1022.5
AM Official	1003.5-4.0	1024-4.5
Kerb close	518-8.5	
Open int.	100,714	
Total daily turnover	[illegible]	

COPPER, grade A ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	
AM Official	[illegible]	
Kerb close	[illegible]	
Open int.	[illegible]	
Total daily turnover	[illegible]	

LME AM Official £/$ rate: [illegible]

LME Closing £/$ rate: [illegible]

Spot: [illegible] mths: [illegible] mths: [illegible] mths:

HIGH GRADE COPPER (COMEX)

	[illegible]	Day's change	High	[illegible]	Open int	Vol
Feb	89.40	+0.25	89.40	88.10	514	162
Mar	89.30	+0.30	89.40	87.85	35,315	9,884
Apr	88.85	+0.45	-	-	782	3
May	[illegible]	[illegible]	88.55	87.20	13,902	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	+0.80	[illegible]	[illegible]	8,401	643
Total					67,381	[illegible]

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.50-384.90	
Opening	383.60-384.00	
Morning fix	383.95	258.814
Afternoon fix	383.60	256.947
Day's High	[illegible]	
Day's Low	382.40-382.80	
Previous close	387.50-387.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.81	[illegible] months	2.91
2 months	2.85	[illegible] months	3.07
3 months	2.86		

Silver Fix	p/troy oz.	US cts equiv.
Spot	358.00	530.75
3 months	[illegible]	534.95
6 months	[illegible]	539.55
1 year	375.95	[illegible]
Gold Coins	$ price	£ equiv.
Krugerrand	385-388	[illegible]
Maple Leaf	384.55-387.00	
New Sovereign	90-93	61-64

Precious Metals continued

GOLD COMEX ([illegible] Troy oz.; $/troy oz.) — [illegible]

PLATINUM NYMEX (50 Troy oz.; $/troy oz.) — [illegible]

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) — [illegible]

SILVER COMEX (100 Troy oz.; Cents/troy oz.) — [illegible]

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel) — [illegible]

CRUDE OIL IPE ($/barrel) — [illegible]

HEATING OIL NYMEX (42,000 US galls; c/US galls) — [illegible]

GAS OIL IPE ($/tonne) — [illegible]

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) — [illegible]

UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) — [illegible]

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne) — [illegible]

WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

BARLEY LCE (£ per tonne) — [illegible]

SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

POTATOES LCE (£/tonne) — [illegible]

FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

TEA

Landed a strong demand, reports The Tea Brokers' Association. Colombo [illegible] advanced by several pence with medium firm while plainer types sold more readily though at slightly easier rates. Best liquoring and good medium East Africans generally gained 4 to 6p, sometimes more, with mediums firm to dearer but plainest sorts again tended lower. Ceylons were again well supported and frequently put on 4p to 6p by the close. Offshore offshore teas met good demand at firm to dearer rates. Quotations: quality 185p/kg nominal, good 140p/kg, medium 112p/kg and low medium 96p/kg. The highest price realised this week was 232p for a Rwanda pt.

SOFTS

COCOA LCE (£/tonne) — [illegible]

COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

COCOA (ICCO) (SDR's/tonne) — [illegible]

COFFEE LCE ($/tonne) — [illegible]

COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

COFFEE (ICO) (US cents/pound) — [illegible]

No7 PREMIUM RAW SUGAR LCE (cents/lbs) — [illegible]

WHITE SUGAR LCE ($/tonne) — [illegible]

SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

COTTON NYCE (50,000lbs; cents/lbs) — [illegible]

ORANGE JUICE NYCE (15,000lbs; cents/lbs) — [illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100) — [illegible]

CRB Futures (Base: 1967=100) — [illegible]

MEAT AND LIVESTOCK

LIVE CATTLE CME ([illegible] cents/lbs) — [illegible]

LIVE HOGS CME (40,000lbs; cents/lbs) — [illegible]

PORK BELLIES CME ([illegible] cents/lbs) — [illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

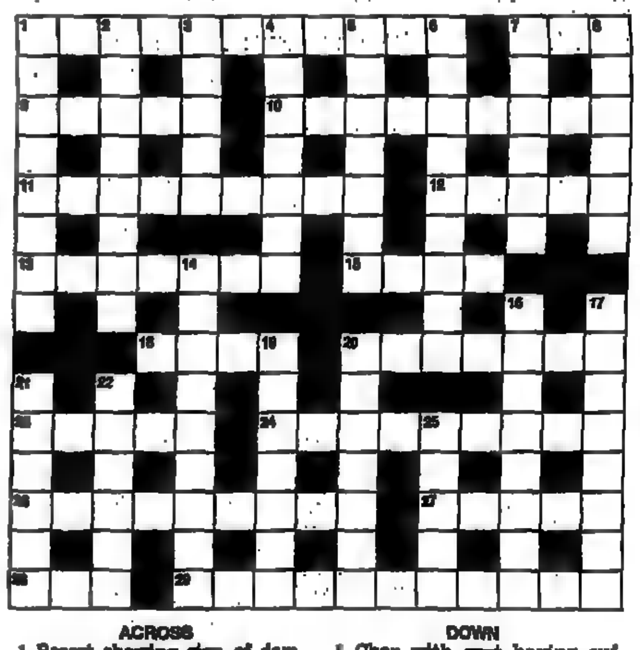
CRUDE OIL FOB (per barrel) — [illegible]

OIL PRODUCTS NWE prompt delivery CIF (tonne) — [illegible]

OTHER — [illegible]

CROSSWORD

No.8,374 Set by DOGBERRY



ACROSS

1 Resort showing sign of damage to smell unhealthy (11)
7 15's friend to show signs of life (3)
9 Lift [illegible] from [illegible] required (5)
10 Supplementary soccer's played inside, yes? (10)
11 Actor was angry with one in brown (9)
12 Sample of culture [illegible]
13 Break broken idol in grass (7)
15 Large beast devouring North American (4)
18 Utterly uninteresting (4)
20 One who'd organise a celebration (7)
23 Hate to find no [illegible] on the platform (5)
24 Pattern transfixes guts (9)
[illegible] Officer's bride wandering around capital (9)
27 [illegible], conversely, bad lost adhesion (5)
28 Work producing allergy in friend (3)
29 Warship for roving [illegible] in [illegible] of need (11)

DOWN

1 Char with cyst having suffered [illegible] reproductive quality (8)
2 Fit [illegible] mineral, being good natured (8)
[illegible] Note on putting word back to end of sentence [illegible]
[illegible]ly disputing the facts (7)
[illegible] Ghostly Scots king, [illegible] and nearly disembowelled (7)
[illegible] Ambassador, one in position of uncertainty (9)
[illegible] Garment for second-rate punk [illegible]
8 The writer of A Pub with No Beer? (6)
14 18 alderman [illegible] in fantasy world (5-4)
16 Cut [illegible] top of cake, keeping the peace (8)
17 Move away from margin, holding church to be obscene (8)
19 Take [illegible] record in [illegible] games (7)
20 Socialist dog from Germany sitting on top of large sum (7)
[illegible] Girl [illegible] doctor, one of the 22 18 (6)
22 Quick income (6)
25 Insect turning up with nothing on to dance (5)

Solution to Saturday's prize puzzle on Saturday February 19.
Solution to yesterday's prize puzzle on Monday February 21.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie picks up after initial 96-point setback

By Steve Thompson

Fears that [illegible] Friday's near 2.5 per cent slide on Wall Street could have triggered [illegible] October 1987-style slump in the London [illegible] were quickly shrugged aside yesterday. [illegible] pre-emptive mark-down of share prices by marketmakers headed off any big selling.

Nevertheless, London could not ignore the influence [illegible] Wall [illegible] big fall [illegible] FT-SE 100 Index ended [illegible] tense trading session [illegible] net [illegible] or 1.6 per cent, off at 3,419.1, well [illegible] the day's [illegible] levels. The FT-SE Mid 250 Index proved equally resilient, recovering strongly to settle 69.3, or 1.7 [illegible] cent, down at 4,077.1.

The market's [illegible] from a noted absence [illegible] selling pressure from the big UK institutions and a better than expected [illegible] by Wall [illegible] yesterday afternoon. Although a fresh downturn in US bonds caused a certain amount of consternation in the market towards the [illegible] of [illegible]. UK gilts remained under pressure, always a sign that there could [illegible] more problems ahead for the market in the short term.

The [illegible] move [illegible] lift its [illegible] Funds [illegible] by [illegible] point [illegible] Friday wrought [illegible] on Wall Street, which posted its biggest one-day drop for two years and produced hefty falls throughout [illegible] Far Eastern and European markets.

After their initial move [illegible] chop prices, the traditional response [illegible] London marketmakers to bad news, [illegible] little selling from the big institutions who, if anything, moved to buy what they [illegible] "cheap" [illegible].

After a setback of about 100 points in early unofficial trading, [illegible] officially opened almost 70 points off, the rally coming [illegible] of [illegible] mixture of "cheap" buying and bear closing.

Mid-morning brought a period of [illegible] uncertainty [illegible] trading as dealers began to worry about the potential for another bout of weakness on Wall Street when that market opened. The FT-SE [illegible] was trading around 87 points off but Wall Street came in steady to a shade firmer and London subsequently [illegible] ground [illegible] with the US market, which was around 25 points better shortly after the official London close.

Second-line stocks, if anything, [illegible] leaders, [illegible] Cap picking up [illegible] an early 120-point drop.

Equity market strategists [illegible] generally impressed by the market's [illegible] Mr Ian [illegible] Strauss Turnbull said the market had taken events "in [illegible] stride", while Mr Rob Buckland at NatWest Securities described the fall as an "opportunity to buy cheap stock". Mr Richard Kersley at BZW said sector stories will now become more interesting, and took the view that financial stocks, especially the banks, may begin to emulate their US counterparts and start to underperform the market.

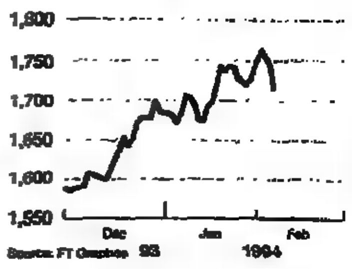
There [illegible] eyebrows at the level of turnover in equities, which reached 894.1m shares, surprisingly low given the swings and big falls in the market and reports of exceptionally heavy [illegible] ing by [illegible] the [illegible] European securities [illegible]. Non-Footsie stocks comprised 516.6m, or 58 per cent of the total.

Possibly [illegible] day's [illegible] impressive individual performance came from Slimma, [illegible] clothing [illegible] debut could hardly have come on [illegible] more difficult day. Nevertheless, [illegible] rode out the storm and ended at [illegible] substantial 17.5 per cent premium.

Account Dealing Dates			
First Dealings:	Jan 17	Jan 31	Feb 14
Option Declarations:	Jan 27	[illegible]	Feb 24
Last Dealings:	Jan 28	Feb 11	Feb 25
Account Day:	Feb 7	Feb [illegible]	Mar 7

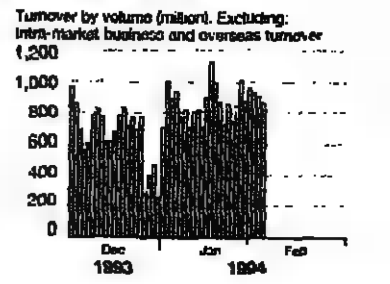
*New time dealings may take place from two business days earlier.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3419.1	-56.3
FT-SE Mid 250	4077.1	-69.3
FT-SE-A 350	1731.7	-28.8
FT-SE-A All-Share	1719.48	-28.89
FT-SE-A All-Share yield	3.29	(3.24)
FT Ordinary [illegible]	2833.3	[illegible]
FT-SE-A Non [illegible] p/e	[illegible]	[illegible]
FT-SE 100 Fut Dec	3413.0	[illegible]
[illegible] yr [illegible]	6.52	(6.44)
Long gilt/equity yld ratio:	2.12	(2.13)

Best performing sectors

1. Tobacco +1.1
2. Household Goods -0.3
3. Spirits, Wines -0.7
4. Food Manufacturers -0.8
5. Consumer Goods -0.9

Worst performing sectors

1. Banks -4.0
2. Investment Trusts -3.5
3. Other Financial -3.1
4. Merchant Banks -2.5
5. Gas Distribution -2.2

Far East sell-off hits HSBC

The near 10 per cent slide in the Hong Kong [illegible] sent related shares in London tumbling on very high volumes as cash flooded out of the Far Eastern [illegible] and into [illegible] US to take advantage of higher interest rates.

The Hang Seng [illegible] more then [illegible] per cent in official trading and [illegible] per cent during London trading hours. In [illegible] UK, HSBC [illegible] biggest casualty in the FT-SE 100, losing 83 [illegible] 1016p in the London registered with turnover hitting 15m, and 80 to 1037p in the Hong Kong [illegible] on volume of 4.6m. Meanwhile, Standard Chartered plummeted 51 to 1380p.

Caution increased as traders discovered that Nomura, the Japanese brokerage, had cut its recommended weighting of Hong Kong stocks in its global equity portfolio to zero from 3 per cent.

GEC hints

Defence and electronics giant GEC [illegible] for most of the [illegible] weekend reports that it may [illegible] a strategic [illegible] Aerospace [illegible] a powerful single UK [illegible] tracting group.

The shares [illegible] for much of the session, but [illegible] and relinquished [illegible] 348p, [illegible] heavy trading of 10m. [illegible] analysts [illegible] day's performance [illegible] bargain hunting.

Overall, [illegible] watchers [illegible] such [illegible] particularly good [illegible] it critical mass and rationalisation benefits. There was a suggestion [illegible] it [illegible] unlikely that GEC would put up much cash to bring about such an alliance.

Trading [illegible] BAe [illegible] heavy, with [illegible] reaching 9.7m by the close. The shares gave [illegible] 9½ to 565½p with the market nervous about reports that the group is backing plans to set up a large-scale leasing operation at Airbus Industrie to help it increase sales. BAe is a 20 per cent stakeholder in the Airbus consortium.

The row brewing over the payment to the departing chairman was said to have dampened sentiment.

Leading blue chip companies, which report their figures [illegible], saw [illegible] prices hold respectably in spite [illegible] internationally inspired [illegible].

[illegible] Holdings, [illegible] expected [illegible] produce profits of about £535[illegible] today, outperformed the market with a fall of [illegible] 1911p. BP, [illegible] reports on Thursday [illegible] forecast to produce after tax profits of around £290m, also outperformed with a fall of 3½ to 378p. Likewise, BT held up relatively well with the shares losing only [illegible] against a fall in the FT-SE 100 Index of 1.6 per cent. [illegible] are due Thursday; the shares [illegible] lower [illegible] 463½p.

Insurer [illegible] services group Lloyds Abbey [illegible] held to a fall of 2 to 444p ahead of full-year figures tomorrow. However, cautious analysts predict that profits could be hit by large provisions for mis-selling of pensions.

Most analysts forecast [illegible] 12.5 per cent rise in 1993 profits to £335m from £297.6m previously. [illegible] Securities, [illegible] forecasts only £311m, [illegible] provision [illegible] his estimate and an unchanged [illegible] 17.3p [illegible] of uncertainty over pension compensation.

Lloyds Bank, which owns 62 per cent of the insurer, and is due to publish its own figures on Friday, fell 10 to 615p.

Abbey [illegible] rose 3 to 502p with Credit Lyonnais Laing said to be [illegible] heavy buyer.

Glaxo Holdings recovered early heavy [illegible] news [illegible] the US [illegible] Drug [illegible] had granted permission for the group to sell its Serevent asthma inhalation aerosol in the US. The shares, down 17 at one stage recovered to close only [illegible] off at 664p.

Water and electricity utilities buckled as profit-takers exacerbated the [illegible] trend. Among [illegible] latter, [illegible] declined 14 [illegible] 742p. Water stocks performed slightly better. [illegible] 724p and Yorkshire [illegible] to 602p.

Television [illegible] were firm [illegible] on Granada [illegible] hostile bid for LWT kept alive prospects of further bids within the sector. Although Granada fell [illegible] 570p, LWT [illegible] 702p, Scottish [illegible] a penny to [illegible] steady at 1013p.

[illegible] fell [illegible] the market, although volumes were equally [illegible]. Dealers blamed continuing [illegible] margins in [illegible] and the [illegible] price [illegible]. Among [illegible] worst hit, Morland [illegible] 20 [illegible].

Turnover in Forte hit [illegible] as [illegible] went through at 257p. The shares retreated 7 to 255p.

[illegible] manufacturers [illegible] punchy performances against the market trend. Dull [illegible] worthy [illegible] from Dalgety [illegible] slip [illegible] 487p. The company said a firm showing from food ingredients [illegible] distribution and recent acquisitions helped it report a slight rise in first half profits [illegible] £56.4m. Dollar considerations helped Tate [illegible] Lyle climb 7 to 455p. Bargain hunters helped Unigate add 6½ to 414p after [illegible] underperformance. But margin worries and [illegible] cash call concerns hit Cadbury Schweppes, off [illegible] at 506p.

It was [illegible] similar story among stores groups, with some resilient displays evident. Marks and Spencer rallied from an initial sharp fall [illegible] close 2 down at 419p. BZW [illegible] mending investors switch into the stock and [illegible] of Kingfisher, [illegible] 5 at 537p. [illegible] slipped 3 [illegible] 32p [illegible] weekend [illegible] reports that it had requested rent reviews for some of [illegible] shops.

Dealers reported [illegible] buying support [illegible] construction [illegible], buoyant in [illegible] interest [illegible] hopes. Among [illegible] in positive territory yesterday, Bryant Group gained [illegible] 191p [illegible] reporting first half profits at £14.6m, nearly double [illegible] previous period's £7.5m. [illegible] company also [illegible] a confident trading statement.

There [illegible] good performances among building material [illegible]. Breedon added 4 at 117p.

International trading [illegible] Lonrho [illegible] up 7½ [illegible] 160p, after Panmure Gordon was said [illegible] have urged in[illegible] to [illegible] stock.

[illegible] in far eastern markets, where Inchcape [illegible] large part of its markets, weak[illegible] the [illegible] leaving the shares trailing 15 to 572p.

The market d[illegible]t of Slimma, the [illegible] outsize clothing group, proved [illegible] success, the shares coming to the market at 130p and closing at 141p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

[illegible] statistics, Page 28

NEW HIGHS AND LOWS FOR [illegible]

NEW HIGHS ([illegible]). [illegible] (2) Grosvenor Inns, Holt (J.), Regent Inns, [illegible] CNSTRN (4) Banner Homes, EBC, Pochins, Spendex, BLDG MATLS & MCHTS (3) BMSS, Blockleys, Breedon, Lilleshall, SWP, CHEMICALS (3) Canning (W.), Headway, Laporte, DISTRIBUTORS (4) EW Fact, Norbain, Quicks, Vardy (R), ELECTRICITY (1) Manweb, ELECTRNC & ELECT EQUIP (3) Control Tech, Fujitsu, Millgate, ENGINEERING (2) Simmetal, Sterling, ENG. VEHICLES (2) Bostrom, Cavendish, EXTRACTIVE INDS (3) Burmine, Gulfin, Pasminco, FOOD MANUF (1) Matthews (B), INSURANCE (3) Nelson Hurst, Topdenmark, Trade Indemnity, [illegible] TRUSTS (8) Baring Sec Em Mkts, CU Env Wmts, Eng. & Caledonian Inv., Kleinwort Dev Fd, Schroder Korea Fund, Do. Wrnts, INVESTMENT COMPANIES (14) LEISURE & HOTELS (3) Airtours Pl, Barr & WAT 'A', Savoy Hotels A, MEDIA (8) Abbott Mead Vickers, Euromoney Pub, [illegible] TVA, Hodder [illegible], Telegraph, Ulster TV, OIL, EXPLORATION & PROD (1) Villiers, OTHER FINANCIAL (1) Broadcastle, OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (1) SCA 'B', PROPERTY (8) Allied Lon, Pri. Bourne End [illegible], Debenham Tewson & Chinnocks, London Securities, RPS, RETAILERS, GENERAL (1) Christies Int'l, SUPPORT SERVS (8) Brooks Service, ISS–Int Serv Sys B, Kewill Systems, Logica, Vega, TEXTILES & APPAREL (1) Lamont, TRANSPORT (3) Ocean Dumont, Mayne [illegible] Docks & Harbour, SOUTH AFRICANS (2) SASOL, Tongaat-Hulett.

NEW LOWS (22). GILTS (10) BANKS (1) Standard Chrtd Pf, BUILDING & CNSTRN (3) Barcom, Gopeng Berhad, CHEMICALS (1) Cambridge Isotope Labs, [illegible] (1) Neocomics Tech, FOOD MANUF (1) Everest Foods, INSURANCE (1) UIF & G, INVESTMENT TRUSTS (4) BZW Endowment d, Govett High Inc [illegible], Kleinwort 2nd [illegible] Policy, M & G Dual Inc., OIL, EXPLORATION & PROD (1) Sunrise Energy, OTHER FINANCIAL (2) Policy Port, Woodchester, PHARMACEUTICALS (1) Scotia, RETAILERS, FOOD (1) Sainsbury (J.), RETAILERS, GENERAL (2) Burton, Owen & Robinson, SUPPORT SERVS (2) Penna, Salvesen (C), TEXTILES & APPAREL (1) Horace Small Apparel, [illegible] (1) NYNEX $1,

EQUITY FUTURES AND OPTIONS TRADING

The derivatives sector saw one of its busiest days in recent sessions, with large turnover in both the Footsie futures and traded options as a firm Wall Street opening brought a turnround in the market, *writes Joel Kibazo.*

The much feared early morning crash failed to materialise and the March futures contract on the FT-SE 100 opened at a reasonably [illegible] 3,403, just a five-point discount to cash. Strong selling across the board, led by the big institutions, saw March fall further, but this settled into two-way business in late morning trading.

The anticipation, and [illegible] confirmation, of a strong performance in New York early yesterday helped [illegible] move firmly ahead and it finished at 3,413, a five-point discount to cash, following very heavy volume of 32,573 lots by the official close.

A hectic session in the traded options brought hefty turnover of 66,805 contracts, of which 31,597 were dealt in the FT-SE 100 option and 8,716 in the Euro FT-SE [illegible] option.

Hanson led the league table among the stock options with a total of 2,556 lots dealt and was followed by HSBC at 2,264 trades.

The new OMLX exchange dealing in the FT-SE Mid 250 [illegible] futures and traded options had a poor day. Having opened at 4,060, the March futures closed 20 ahead at 4,100 with volume a mere 272 contracts by its 6pm close.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	3374.0	35117	[illegible]
Jun	3416.0	[illegible]	[illegible]	3428.0	3387.5	3368	[illegible]
Sep	-	[illegible]	[illegible]	-	-	0	[illegible]

FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4095.0	[illegible]	+5.0	[illegible]	[illegible]	272	[illegible]
Jun		4116.5					

All open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3419) £10 per full index point — [illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point — [illegible]

EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point — [illegible]

Calls 21 Puts 56 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

[illegible]

FT-SE Actuaries All-Share

[illegible]

Hourly movements

[illegible]

Time of FT-SE 100 High 4:20pm Low 12:01pm

FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries All-Share Index are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks yesterday — [illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	72	5
Other Fixed Interest	0	13	2
Mineral Extraction	39	110	68
General Manufactures	50	513	121
Consumer Goods	18	139	39
Services	39	388	96
Utilities	1	42	3
Financials	24	279	87
Investment Trusts	1	439	24
Others	6	95	22
Totals	179	2075	454

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Avesco, Barcom, Caverdale, Costain, Fairhaven, Henderson Admin., Hobsons, Microvitec, Mid-States, Millgate, Phonelink, Proteus, Rodime, SEET, Trafalgar Hse., Tullow Oil, Waverley Mining. Puts: Avesco, Barcom, Lloyds, Pentos, Tullow Oil, Waverley Mining. Puts & Calls: Biree, Costain, Trafalgar Hse.

LONDON RECENT ISSUES: EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23½	–¾	£25¾	£18⅛	6,544	4.4	12.5
ANZ A$		262¼	–6¾	288	130	3,432	3.5	20.6
Abbey National	†□	502	+4	524	345	6,581	3.0	19.4
Allied Irish I£	♣†a□	278	–11	314	179	1,831	3.7	14.2
Anglo Irish I£	[illegible]	67xa	–1	*76	28	81.9	6.4	12.2
Asahi Y		669½	–2½	844	415	15,998	0.7	–
Banco Bil Viz Pta		£15⅝	–⅛	£17⅝	£13⅓	[illegible]	5.2	7.1
Banco Sant Pta		£32¼	—	£36	£24⅛	[illegible]	4.1	12.2
Bank Leumi (UK)		375	—	375	325	[illegible]	5.7	–
Bk Ireland I£	♣uz□	283	–14	*318	177	[illegible]	4.4	20.9
Bank Scotland	♣†□	228	–3½	247	116½	[illegible]	2.6	30.7
9¼pc Pf		138¾	–1½	141½	117¾	138.8	8.3	–
9¼pc Pf		145½	–1¼	148½	123½	145.6	8.4	–
Barclays	†N□	567	–18	662	362	9,089	2.6	–
Dai Ichi Kan Y		£12¼	–⅛	£15⅜	£8⅞	37,800	0.5	66.6
Deutsche DM		£303⅛	–13⅜	£348⅞	£250½	[illegible]	2.0	–
Espirito Santo		£25⅞	–1⅝	£28⅛	£16½	[illegible]	3.2	6.1
First Nat Fin	N□	85xd	–3	*95	45	[illegible]	2.2	–
6.3pc Cv Pf		87	–1	*91	55	[illegible]	8.1	–
7pc Cv Pf		163	–4	169	108	[illegible]	5.4	–
Fuji Bank Y		1378¾	–7¼	1651	876	[illegible]	0.4	–
HSBC HK	†□	1037	–80	1133	474	[illegible]	2.4	24.8
HSBC (75p Shs)	†□	1016	[illegible]	1113	490	[illegible]	2.5	24.3
Lloyds	†□	615	[illegible]	690	482	[illegible]	3.9	17.6
Mitsubishi Y		£17⅞	[illegible]	£19¾	£11⅞	[illegible]	0.3	–
Mits Tst & Bk Y		883¾	—	1012½	462½	[illegible]	0.6	14.2
Mitsui Tst & Bk Y		682¼	–43½	882	374	[illegible]	0.8	23.2
Nat Aust A$		607¾	–5¼	620¼	322	[illegible]	3.9	14.8
NatWest	†□	558	–13	634	398	[illegible]	4.0	33.8
Ottomane FFr		£32¾	—	£33	£23¾	161.9	4.6	9.5
Ryl Bk Scotland	♣N□	508xd	–13	528	207	4,622	2.7	22.9
Sakura Y		29¼	–⅛	217	£5¾	30,620	0.6	57.7
Sanwa Y		£13⅞	–⅛	216	£7¾	38,316	0.4	–

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French	□	141	-7	149	98	1.1	144.3	2.3
Perpetual Japan	□	109	-2	118	83	-	102.2	-6.2
Warrants	□	79	-	88	37	-	-	-
Personal Assets	†	£90½	-1	£91½	£76½	2.6	8535.1	5.1
Pilot Inv	Z□	150	-3	163	96	0.4	142.0	-6.3
Warrants	□	65	-4	69	21	-	-	-
C	□	112½	-4½	117	100	-	109.6	-2.6
Primadona		273	-6	283	157	2.1	323.7	15.7
RIT Capital	□	183	-2	189	100	0.8	224.5	18.5
7½pc Cv Ln 2000		£180	-2	£186½	£100½	1.4	-	-
Radiotrust	□	80	-6	88	47	-	68.5	-14.4
Rights & Iss Inc	†	160	-3	163	114	8.6	-	-
Cap		509	-27	535	303	2.0	564.0	9.9
Riv & Merc Am Inc		118	-2	120	108	8.3	-	-
Cap	□	38	-2	39	27	-	47.8	24.7
Warrants		16	-1	17	11	-	-	-
Riv & Mer Ext	N□	143xd	-3	147	87	4.8	138.5	-3.1
Warrants		43	-4	48	13	-	-	-
Zero Div Pf		117	-½	117½	103	-	-	-
Riv & Mer Geared		106	-6	116	81	9.7	-	-
Prfd Cap 1999		32½	-1½	35	18	-	40.3	19.4
Riv & Merc Smlr	N□	152	-7	170	95	3.1	150.4	-2.2
Warrants		68	-5	75	22	-	-	-
Riv & Merc Tst Inc	□	120	-3	127	108	9.6	-	-
Cap	□	139	-10	150	55	-	253.5	45.6
Warrants		37	-2	39	8	-	-	-
Riv Stood Prf	N	161½	-½	163	147	4.3	-	-
River Plate Inc	N□	107	-2	119	98	10.4	-	-
Cap		103	-10	118	38	-	200.1	[illegible]
Warrants		8	-2	11	1	-	-	-
Zero Div Pf		84¾	-¼	85¼	77¼	-	-	-
St Andrew		332	-	332	214	3.0	354.5	6.3
St David's Inc		136	-4	153	123	13.6	-	-
Cap		213	-9	223	76	-	357.1	40.4
Zero Prf		150	-1	161½	131	-	-	-
SPLIT Inc		185	-8	270	175	22.6	-	-
Cap		1190	-40	1235	820	-	1622.8	21.9
Schroder Korea Fund		1078¼	-	1089¼	481	0.7	-	-

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	-	[illegible]	[illegible]	1,118	3.7	15.8
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.1	8.4
[illegible] SA R		[illegible]	[illegible]	[illegible]	[illegible]	1,369	2.8	23.5
[illegible]		[illegible]	-	97	[illegible]	[illegible]	9.3	39.1
[illegible]	♥	332	+10	332	215	1,880	4.7	-
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	7,476	2.0	22.9
[illegible]		719	-10	[illegible]	513	1,071	2.3	15.1
Tongaat-Hulett	†	[illegible]	+2	622	212	389.7	2.9	14.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by [illegible] Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE [illegible] Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily and guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation [illegible] is calculated [illegible] for each [illegible] quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit [illegible] 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are [illegible] for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ In[illegible] most [illegible] stocks. This includes UK stocks where transactions a[illegible] published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ [illegible] reorganisation in progress
- § [illegible] dividend yield; [illegible] based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
† Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
[illegible]
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available [illegible] whose sh[illegible] are regularly traded in the United Kin[illegible] fee of £1236 a year for [illegible] security shown, subject to the Editor's discretion.

FT Free Annual Reports [illegible]

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4614. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) *for more information on FT Cityline.*

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over [illegible] telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing [illegible] Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts (1200)F

INSURANCES

AXA Equity & Law Life Assce

Britannia Life Assurance

Crown Financial Management Ltd - Contd.

Hearts of Oak Insurance Group - Contd.

Lincoln National

NM Life Assurance Ltd

Providence Capital Life Assc. Co Ltd - Contd.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071 [redacted] 4378 [redacted] details.

Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	84.8	89.0	—	–
Global Equity	62.3	65.6	—	–
High Yield	81.9	86.2	—	–
Int'l Equity	90.3	95.0	—	–
Fixed Interest	62.6	65.9	—	–
Money	76.1	80.1	—	–
Managed	85.9	90.4	—	–
Pensions				
UK Equity	92.7	97.6	—	–
Global Equity	66.8	70.3	—	–
High Yield	96.2	101.3	—	–
Int'l Equity	101.7	107.0	—	–
Fixed Interest	99.50	104.7	—	–
Money	94.1	99.1	—	–
Managed	97.3	102.4	—	–
Tax Exempt				
Tax Exempt Mgd	72.9	76.7	—	–

S-E-Banken Life Assurance Co Ltd
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7566

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	163.8	172.5	-0.2	–
Pension Mngd Fd	186.0	195.8	-0.3	–

Templeton Life Assurance Limited
80 Union Street, Oldham OL1 1DT 061-624 7209

	Bid Price	Offer Price	+ or -	Yield Gross
Global Growth	201.90	214.80	+1.22	–
Global Enterprise	210.98	224.44	-0.19	–
Global Managed	191.37	203.59	+0.69	–
Global Fixed Interest	149.87	159.30	-0.50	–
Sterling Haven	122.92	130.77	+0.08	–
Plan 2000 (Tiered)	221.48	221.48	+3.04	–
Tax Exempt (Tiered)	129.04	129.03	+1.17	–
Global Growth (Pen)	234.82	249.82	+1.05	–
Global Enterprise (Pen)	232.16	246.98	+0.38	–
Global Managed (Pen)	223.20	237.46	+0.15	–
Global Fixed Int (Pen)	158.12	168.22	-0.56	–
Sterling Haven (Pen)	133.00	141.50	+0.12	–

Labrow International Group

	Bid Price	Offer Price	+ or -	Yield Gross
Fund of Funds	£2.03			2.18
Managed Pesetas High Yield	Pts129.0			–
Fixed Interest	£2.02			2.18
Managed Income	0.483	0.520		

PanEuroLife societe anonyme

Professional Investment Consultants

Providence Capital International Ltd
PO Box 121, St. Peter Port Guernsey

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE AND OVERSEAS

EBC Fund Managers (Jersey) Ltd

EBC Trident Currency Fund Ltd*

	Bid Price	Offer Price	+ or -	Yield Grs
Income	$14.40	14.882	—	1.28
Capital	$22.65	23.391	—	—

*Offer price includes 3% prelim. charge

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Comgest SA

55 rue de Londres, 75008 Paris

Commercial Union Luxembourg SA (u)

41 Ave de la Gare L-1611

Midland Internatl Circuit Fund SICAV(u)

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u) (z)

Credit Suisse - Contd.

Edmond de Rothschild Group

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Indosuez Asset Management Asia Ltd

Philippine Income Fund Inc

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar marks time

Yesterday was a day [illegible] consolidation in foreign exchange markets following Friday's [illegible] when a tightening [illegible] monetary policy by the US Federal [illegible] [illegible] a sharp [illegible] in [illegible] dollar, *writes Philip Gawith.*

Expectations of further dollar gains against the D-Mark were not realised and the US currency ended trading in London [illegible] similar [illegible] reached in after-hours activity on Friday evening. Against the yen it w[illegible]ed slightly from late Friday levels. As one observer noted: "With all of the [illegible] looking in one direction - expecting the dollar to rise - not much happened."

■ The [illegible] uncertain about the pace and extent of future rate movements in the US. Mr Alan Greenspan, chairman of the US [illegible], [illegible] a reputation [illegible] a gradualist and thus most observers expect further small increases, with the Federal [illegible] rate ending the year [illegible] 3.75 per cent or [illegible] per cent.

Explaining the dollar's [illegible] sedate performance after some profit-taking during Asian trading, Mr Jeremy Hawkins, senior economic adviser at the Bank [illegible] America, commented: "The trend has changed, but the gradient [illegible] change [illegible] like it is still going [illegible] very shallow. [illegible] it [illegible] positive [illegible] dollar, but not positive enough to give the dollar much of a kick, so long [illegible] German [illegible] remain unchanged."

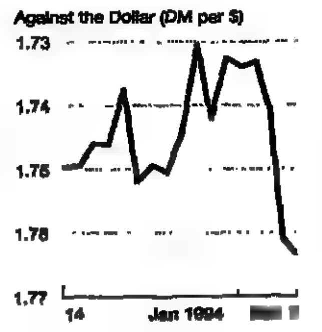
The [illegible] finished in London [illegible] - [illegible] at which it was trading late on Friday evening, but higher than the close of DM1.736. It closed against the yen at Y108.7050 after trading in a narrow range all day.

■ The [illegible] finishing lower against most other European currencies.

[illegible] today will [illegible] focused on the repo announcement from the Bundesbank. If the central bank allows a variable rate tender, following [illegible] period of fixed rate [illegible] at 6 per cent, this will be taken as a signal that [illegible] is happy to sanction a softening of [illegible] [illegible] the chance, [illegible]

D-Mark

Against the Dollar (DM per $)



Source: FT Graphite

■ Pound in New York

Feb 7	--Latest--	-- Prev. [illegible]
£ spot	1.4815	1.4775
1 mth	1.4791	1.4750
3 mth	1.4748	1.4705
1 yr	1.4631	1.4599

market would certainly try and drive [illegible] lower. But any fall in the [illegible] rate will be small as the repo rate, [illegible] per cent, is only 25 basis points above the discount rate which acts as [illegible] floor for [illegible] German [illegible]. However, the symbolic [illegible] that [illegible] their way [illegible] would be [illegible] powerful [illegible].

Although [illegible] of the German economy favours a cut in rates, [illegible] might not [illegible] to [illegible] policy against the background of [illegible] currency.

Mr Mark Austin, treasury strategist at [illegible] Global Markets, comments: "There [illegible] a belief now in the market that [illegible] has [illegible] itself into a bit of a hole. It had various opportunities [illegible] which it passed up and now it is going [illegible] be more difficult."

Mr Austin said it was not clear that keeping [illegible] high now would help the currency. The [illegible] history of the ERM [illegible] high rates [illegible] been ineffective in supporting a currency perceived by the market as weak. Most analysts argue [illegible] the [illegible] is more interested in measures [illegible] at stimulating growth.

Few, however, are confident [illegible] view. Indeed, Mr Norbert Walter, [illegible] economist, said in Washington yesterday that the [illegible] hold off [illegible] at least until regional elections in mid-March, and could even raise rates temporarily [illegible] the D-Mark [illegible] much. "I would not fully [illegible] the possibility that [illegible] Bundesbank will [illegible] short-term rates," said Mr Walter.

Yesterday Bundesbank president Mr Hans Tietmeyer, speaking in his capacity as the G10 central bank [illegible] chairman, [illegible] G10 [illegible] were [illegible] troubled by developments on foreign exchange markets following the Fed's tightening of policy on Friday. "Until [illegible] there [illegible] not much concern about the situation (on forex markets)," Mr Tietmeyer told reporters after [illegible] monthly meeting of G10 central bank governors in Basle.

■ The Belgian franc closed at [illegible] mark, [illegible] three [illegible] day, after the Belgian central bank trimmed [illegible] rates. The Belgian [illegible] Bank [illegible] its key [illegible] rate by [illegible] basis points to 6.70 per cent from 6.85 per cent. The central rate is [illegible] lowest level since July 2, when it was set at 6.70 [illegible]. The [illegible] bank later had to raise interest rates [illegible] the ERM currency [illegible] in [illegible] July. Belgium's central [illegible] cut [illegible] ago. [illegible] yesterday's [illegible] was [illegible] evidence of EMS currencies decoupling [illegible] rate policy from the Bundesbank when [illegible] allowed.

■ Sterling [illegible] a fairly quiet day, trading around the DM2.61 level against a generally weak German currency. It [illegible] at $1.4811 against the dollar having traded in a fairly narrow range all day. Consumer [illegible] showing net lending up to £433m against a £290m forecast, lent support to [illegible] view that the UK economic recovery is proceeding [illegible] and [illegible] that no rate cut is imminent.

■ The Bank [illegible] England provided the UK money [illegible] with £650m [illegible] assistance yesterday. [illegible] was in [illegible] its revised [illegible] liquidity shortage, adjusted upwards from its early estimate of [illegible] £500m shortage.

POUND SPOT FORWARD AGAINST THE POUND

Feb 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	[illegible]	[illegible]	[illegible]	402 - 587	[illegible]	17.9724	18.3533	-0.2	18.3627	-0.3	-	-	112.7
Belgium	(BFr)	53.8251	[illegible]	902 - 599	53.8589	53.2426	[illegible]	-1.2	54.0101	-1.4	54.3201	-0.9	113.2
Denmark	[illegible]	10.1316	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.154	[illegible]	[illegible]	-0.4	114.0
Finland	[illegible]	[illegible]	+0.1023	379 - 577	8.3594	8.2876	-	-	-	-	-	-	81.6
[illegible]	(FFr)	[illegible]	+0.0583	432 - 527	8.8542	[illegible]	[illegible]	-0.9	[illegible]	-0.9	[illegible]	-0.4	107.3
Germany	(DM)	[illegible]	+0.0214	098 - 126	2.6162	2.5998	[illegible]	-0.6	[illegible]	-0.6	[illegible]	-0.1	121.1
Greece	(Dr)	375.298	[illegible]	[illegible] - 560	375.580	373.815	-	-	-	-	-	-	-
[illegible]	(I£)	1.0494	+0.009	475 - 492	1.0492	[illegible]	[illegible]	-0.5	[illegible]	[illegible]	[illegible]	-0.5	103.2
Italy	(L)	[illegible]	-7.47	517 - 818	2518.98	2508.37	[illegible]	[illegible]	2535.68	-3.0	2581.48	[illegible]	76.7
Luxembourg	(LFr)	53.8251	[illegible]	902 - 599	53.8589	53.2426	53.8801	-1.2	[illegible]	-1.4	[illegible]	[illegible]	[illegible]
Netherlands	(Fl)	[illegible]	[illegible]	202 - 234	[illegible]	2.9096	[illegible]	0.0	[illegible]	0.0	2.9126	0.3	[illegible]
Norway	(NKr)	[illegible]	[illegible]	904 - 016	[illegible]	11.1197	[illegible]	0.4	[illegible]	0.3	[illegible]	[illegible]	[illegible]
Portugal	(Es)	262.154	+1.685	963 - 344	262.344	259.045	263.429	-5.8	265.579	-5.2	-	-	-
[illegible]	(Pta)	210.931	+1.221	793 - 069	211.063	209.699	211.516	-3.3	212.716	-3.4	216.681	-2.7	85.0
Sweden	(SKr)	11.[illegible]	+0.1157	097 - 317	11.8392	11.5745	11.8442	-2.4	11.8752	-1.8	11.9927	-1.5	77.6
Switzerland	(SFr)	2.1[illegible]	+0.025	802 - 825	2.1825	[illegible]	[illegible]	1.1	2.1749	1.2	2.1509	1.4	117.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.0
Ecu	-	[illegible]	+0.0069	399 - [illegible]	[illegible]	[illegible]	1.3418	-1.1	1.3443	-1.1	1.3479	-0.8	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4789	-0.01	784 - 794	1.4818	1.4730	-	-	-	-	-	-	-
Brazil	(Cr)	746.090	+8.488	860 - 320	747.000	729.000	-	-	-	-	-	-	-
[illegible]	(C$)	[illegible]	+0.0042	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.1	90.5
[illegible]	(New Peso)	[illegible]	[illegible]	[illegible]	4.6049	[illegible]	-	-	-	-	-	-	-
USA	($)	1.4811	-0.0107	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4741	[illegible]	[illegible]	1.3	87.5
Pacific/Middle East/Africa													
[illegible]	(A$)	[illegible]	[illegible]	702 - 729	[illegible]	[illegible]	2.0701	[illegible]	2.0677	0.7	[illegible]	0.3	-
Hong Kong	(HK$)	11.4508	-0.0719	465 - 550	[illegible]	[illegible]	11.4291	[illegible]	11.3947	2.0	[illegible]	1.4	-
India	(Rs)	46.4550	-0.3409	390 - 710	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	160.998	-0.251	912 - 084	[illegible]	[illegible]	160.593	3.0	159.793	3.1	156.083	3.1	182.0
Malaysia	(M$)	4.0966	-0.0305	946 - 986	[illegible]	4.0853	-	-	-	-	-	-	-
New Zealand	[illegible]	2.5877	[illegible]	853 - 900	2.5949	2.5827	2.5906	-1.3	2.5949	-1.1	2.6035	-0.6	-
Philippines	(Peso)	40.8771	[illegible]	684 - 857	41.1857	40.5684	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5545	-0.0402	525 - 565	5.5651	5.5327	-	-	-	-	-	-	-
Singapore	(S$)	2.3549	-0.0142	534 - 563	2.3581	2.3493	-	-	-	-	-	-	-
S Africa (Com.)	(R)	[illegible]	-0.0143	839 - 892	[illegible]	[illegible]	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
South Korea	(Won)	[illegible]	[illegible]	795 - [illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	39.1368	-0.2244	175 - 560	[illegible]	38.960	-	-	-	-	-	-	-
[illegible]	(Bt)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-

†SDR rate for Feb.4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]		Closing [illegible]	[illegible] on day	[illegible]	Day's mid [illegible]	[illegible]	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.3895	+0.178	870 - 920	12.3940	12.1830	[illegible]	-1.9	12.4447	-1.8	12.5115	-1.0	102.3
Belgium	(BFr)	36.3425	+0.5725	300 - 550	36.3550	35.0600	[illegible]	-3.3	36.6375	-3.2	37.1525	-2.2	103.1
Denmark	(DKr)	[illegible]	[illegible]	385 - 430	6.8430	6.8152	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.7	[illegible]
Finland	(FM)	[illegible]	+0.1092	314 - 414	[illegible]	[illegible]	[illegible]	-1.2	[illegible]	-1.1	[illegible]	[illegible]	77.1
[illegible]	(FFr)	[illegible]	[illegible]	727 - 755	[illegible]	[illegible]	[illegible]	-2.9	[illegible]	[illegible]	[illegible]	-1.7	[illegible]
Germany	(D)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.6	1.7737	-2.4	1.7874	-1.4	103.2
Greece	[illegible]	253.400	+3.65	300 - 500	253.500	252.780	[illegible]	-14.9	283.45	-15.9	292.9	-15.8	71.1
Ireland	[illegible]	1.4128	-0.0228	120 - 135	1.4241	1.4120	[illegible]	2.7	1.4031	2.7	[illegible]	[illegible]	-
Italy	(L)	[illegible]	+17.25	875 - 975	1700.50	[illegible]	1706.1	-4.8	1701.33	-0.5	1705.65	-0.4	77.2
Luxembourg	(LFr)	[illegible]	[illegible]	300 - 550	36[illegible]	[illegible]	[illegible]	-3.3	36.5375	-3.2	37.1525	-2.2	103.1
[illegible]	(Fl)	1.[illegible]	+0.0288	723 - 733	1.9757	[illegible]	1.9781	-2.0	1.[illegible]	-1.8	1.9919	-1.0	102.8
Norway	(NKr)	7.[illegible]	+0.1052	580 - 610	7.5680	[illegible]	7.5692	-1.5	7.5692	-1.6	7.6356	-1.0	94.3
Portugal	[illegible]	177.005	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	179.815	-6.4	[illegible]	-5.6	[illegible]
Spain	[illegible]	142.420	[illegible]	370 - 470	[illegible]	142.000	143.055	-5.4	[illegible]	-5.2	148.16	-4.0	80.5
[illegible]	(SKr)	[illegible]	[illegible]	763 - 863	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	725 - 732	[illegible]	[illegible]	1.4742	-1.0	[illegible]	-0.7	[illegible]	-0.1	105.1
UK	(£)	1.4811	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.0	1.4741	[illegible]	1.4621	[illegible]	80.5
Ecu	-	1.1048	-0.0165	045 - 050	[illegible]	[illegible]	1.1019	3.1	[illegible]	[illegible]	[illegible]	[illegible]	-
SDR†	-	1.38280	-	-	-	-	-	-	-	-	-	-	-
[illegible]													
Argentina	(Peso)	0.9986	+0.0005	985 - 986	0.9986	0.9985	-	-	-	-	-	-	-
[illegible]	(Cr)	503.755	+9.32	755 - 760	503.755	503.755	-	-	-	-	-	-	-
Canada	[illegible]	[illegible]	+0.0124	410 - 416	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.3438	[illegible]	87.2
Mexico	(New Peso)	[illegible]	-	040 - 060	3.1060	3.1040	3.1068	-0.6	3.1094	[illegible]	[illegible]	[illegible]	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3987	+0.0002	982 - 992	[illegible]	[illegible]	1.3997	-0.9	[illegible]	-1.1	1.4101	-0.8	89.3
Hong [illegible]	(HK$)	7.7315	+0.0075	310 - 320	[illegible]	[illegible]	7.733	-0.2	[illegible]	-0.2	7.7465	-0.2	-
India	(Rs)	31.3683	-0.0025	[illegible] - 675	31.[illegible]	31.3675	31.4313	[illegible]	31.5683	[illegible]	-	-	-
[illegible]	[illegible]	[illegible].705	[illegible]	680 - 730	108.[illegible]	108.68	108.61	[illegible]	108.36	1.3	108.755	1.8	142.7
Malaysia	[illegible]	[illegible]	-0.0005	665 - 665	2.7730	2.7648	2.7695	2.8	2.7586	1.1	2.781	-0.5	-
New Zealand	(NZ$)	[illegible]	-0.0031	461 - 483	1.7544	1.7437	1.7485	-1.1	[illegible]	-1.4	[illegible]	-1.2	-
[illegible]	(Peso)	27.6000	-	000 - 000	27.9000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	[illegible]	3.7504	+0.0001	[illegible]	3.7506	3.7500	3.7528	[illegible]	3.7571	-0.7	3.7759	-0.7	-
Singapore	[illegible]	1.5900	+0.0019	895 - 905	1.5915	1.5895	[illegible]	0.9	1.5867	0.8	1.599	[illegible]	-
S Africa (Com.)	[illegible]	3.4345	+0.0152	[illegible]	[illegible]	3.4336	3.4515	[illegible]	3.4805	-5.4	3.588	-4.5	-
S Africa (Fin)	[illegible]	4.4400	+0.0425	[illegible] - 450	4.4450	4.4075	4.471	[illegible]	4.53	-6.1	-	-	-
[illegible]	[illegible]	809.250	[illegible]	100 - [illegible]	809.400	809.300	812.25	-4.4	815.75	[illegible]	834.25	-3.1	-
[illegible]	(T$)	26.4250	[illegible]	[illegible] - 300	26.4300	26.4100	26.5275	-4.7	26.675	[illegible]	-	-	-
Thailand	(Bt)	25.4500	+0.03	400 - 600	25.4600	25.4500	25.52	[illegible]	25.68	[illegible]	26.6	-1.4	-

†SDR rate for Feb.4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are [illegible] directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US [illegible]. J.P. Morgan indices shown for [illegible]. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.44	4.850	1.947	[illegible]	[illegible]	20.79	487.1	[illegible]	21.98	4.052	[illegible]	3.691	2.751	[illegible]	2.481
Denmark	(DKr)	53.14	10	8.734	2.577	1.036	[illegible]	[illegible]	11.05	258.8	[illegible]	11.67	2.153	[illegible]	1.962	1.462	[illegible]	1.324
France	(FFr)	[illegible]	11.45	10	2.951	1.184	2845	3.302	12.65	[illegible]	[illegible]	13.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	[illegible]	[illegible]	[illegible]	1	0.401	[illegible]	1.119	[illegible]	100.4	[illegible]	4.527	0.835	0.383	0.761	0.567	61.66	0.514
Ireland	(I£)	51.36	9.666	8.443	2.491	1	2402	2.788	10.68	250.2	201.2	11.28	2.081	0.954	1.898	1.413	153.6	1.280
Italy	(L)	2.139	0.402	0.352	[illegible]	0.042	100.	0.116	0.446	[illegible]	8.379	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	72.18	[illegible]	[illegible]	0.342	[illegible]	[illegible]	[illegible]	0.459
Norway	[illegible]	48.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10	[illegible]	[illegible]	[illegible]	[illegible]	0.894	1.776	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	3.863	[illegible]	[illegible]	0.400	960.0	1.114	[illegible]	100	[illegible]	4.506	[illegible]	[illegible]	0.756	0.565	[illegible]	[illegible]
Spain	(Pta)	[illegible]	4.803	[illegible]	1.238	[illegible]	[illegible]	1.385	5.306	124.3	100.	5.605	1.034	0.474	0.942	0.702	76.34	0.636
Sweden	(SKr)	45.94	[illegible]	7.486	2.209	[illegible]	2129	2.472	[illegible]	221.8	178.4	10	1.845	0.846	1.681	1.253	136.2	1.135
Switzerland	(SFr)	24.68	[illegible]	4.057	1.197	[illegible]	1154	1.340	[illegible]	120.2	96.70	[illegible]	1	0.459	0.911	[illegible]	[illegible]	0.615
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.922	11.19	[illegible]	[illegible]	[illegible]	[illegible]	1	1.987	1.481	161.0	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	1.314	0.527	[illegible]	1.471	[illegible]	[illegible]	106.1	[illegible]	[illegible]	[illegible]	1	0.745	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	177.0	142.4	[illegible]	1.473	0.675	1.342	1	108.7	0.905
Japan	[illegible]	[illegible]	[illegible]	[illegible]	16.22	6.509	[illegible]	18.18	69.50	[illegible]	[illegible]	[illegible]	13.55	6.211	12.34	9.199	1000.	8.329
Ecu		40.14	[illegible]	[illegible]	1.947	[illegible]	1877	2.179	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.779862	-0.00012	-3.56	5.80	24
Netherlands	2.19672	2.18187	+0.00214	-0.68	2.73	-
Belgium	40.2123	40.1342	+0.0334	-0.19	2.23	1
Germany	1.94964	1.94777	+0.00252	-0.10	2.13	-
France	6.53883	6.60357	+0.00226	0.99	1.03	-8
Portugal	192.854	195.375	-0.256	1.31	0.72	-9
Denmark	7.43679	7.55998	+0.00755	1.66	0.37	-11
Spain	154.250	157.384	-0.18	2.03	0.00	-14
NON ERM MEMBERS						
Greece	264.513	279.919	+0.018	5.82	-3.58	-
Italy	1793.19	1878.13	-7.39	4.74	-2.58	-
UK	0.786749	0.748650	-0.001934	-5.10	7.61	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak [illegible]. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central [illegible].
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	[illegible]	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	-0.0005	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	0.5638	[illegible]	[illegible]	[illegible]
Sep	0.5615	[illegible]	[illegible]	[illegible]	0.5615	7	324

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	0.9214	[illegible]	[illegible]	80,706
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	-	[illegible]	-	[illegible]	-	[illegible]	[illegible]

■ **SWISS FRANC FUTURES** (IMM) [illegible] per [illegible]

Mar	0.6775	[illegible]	+0.0004	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	+0.0008	[illegible]	[illegible]	[illegible]	[illegible]
Sep	-	0.6788	[illegible]	-	-	5	44

■ **STERLING FUTURES** (IMM) [illegible] per £

[illegible]	1.4728	1.4770	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	1.4710	[illegible]	1.4730	1.4700	443	1,797
Sep	-	1.4660	-	1.4690	-	758	432
Dec	-	1.4640	-	1.4640	-	2	12

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	[illegible] Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.400	7.78	7.80	7.82	-	0.06	0.33
1.425	5.34	5.29	5.60	-	0.21	[illegible]
1.450	2.89	3.25	3.82	0.01	0.66	1.45
1.475	0.93	1.72	2.44	0.44	1.57	2.50
1.500	0.10	0.74	1.44	2.08	3.04	3.94
1.525	-	0.24	0.78	4.38	5.02	5.[illegible]

Previous day's vol., Calls 26,182 Puts 32,079 . Prev. day's open int., Calls 480,511 Puts 808,641

WORLD INTEREST RATES

MONEY RATES

February 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	$6\frac{3}{16}$	$6\frac{1}{8}$	$6\frac{1}{16}$	$6\frac{1}{8}$	7.40	5.25	-
week ago	$7\frac{1}{4}$	$6\frac{3}{16}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{16}$	7.40	5.25	-
France	$6\frac{3}{8}$	$6\frac{1}{2}$	$6\frac{1}{4}$	$6\frac{1}{16}$	$5\frac{7}{8}$	6.20	-	7.75
week ago	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{1}{4}$	$6\frac{1}{16}$	$5\frac{7}{8}$	6.20	-	7.75
Germany	5.98	6.05	5.80	5.60	5.26	6.75	5.75	6.00
week ago	6.50	6.05	5.85	5.65	5.39	6.75	5.75	6.00
Ireland	6	$6\frac{3}{16}$	$6\frac{3}{16}$	$5\frac{3}{4}$	$5\frac{1}{2}$	-	-	6.75
week ago	6	$5\frac{3}{16}$	$5\frac{7}{8}$	$5\frac{1}{2}$	$5\frac{1}{4}$	-	-	6.75
Italy	$8\frac{3}{16}$	$8\frac{1}{4}$	$8\frac{1}{4}$	$8\frac{1}{8}$	8	-	8.00	8.92
week ago	$9\frac{1}{4}$	$8\frac{1}{4}$	$8\frac{1}{2}$	$8\frac{1}{4}$	8	-	8.00	8.92
Netherlands	5.53	5.48	5.30	5.09	4.90	-	5.25	-
week ago	5.56	5.48	5.25	5.02	4.86	-	5.25	-
Switzerland	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{1}{8}$	$3\frac{7}{8}$	$3\frac{3}{4}$	6.625	4.00	-
week ago	$4\frac{1}{8}$	$4\frac{1}{8}$	$4\frac{1}{8}$	4	$3\frac{3}{4}$	6.625	4.00	-
US	$3\frac{3}{8}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{2}$	4	-	3.00	-
week ago	$3\frac{3}{8}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{5}{8}$	-	3.00	-
Japan	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{1}{8}$	$2\frac{1}{8}$	-	1.75	-
week ago	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	$3\frac{1}{8}$	$3\frac{1}{4}$	[illegible]	$3\frac{7}{8}$	-	-	-
[illegible]	-	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{3}{4}$	-	-	-
[illegible]	-	3.27	3.38	3.51	3.82	-	-	-
[illegible]	-	[illegible]	3.08	3.17	[illegible]	-	-	-
SDR Linked Ds	-	$3\frac{1}{8}$	[illegible]	$3\frac{1}{2}$	$3\frac{3}{4}$	-	-	-
[illegible]	-	[illegible]	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{3}{8}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]	[illegible]	7 days notice	[illegible]	Three [illegible]	Six months	One [illegible]
Belgian Franc	$6\frac{7}{8}$ - $6\frac{1}{8}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	$6\frac{13}{32}$ - $6\frac{7}{32}$	$6\frac{3}{8}$ - $6\frac{1}{2}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$
Danish Krone	$6\frac{1}{2}$ - 6	$6\frac{7}{8}$ - $6\frac{5}{8}$	$6\frac{5}{8}$ - $6\frac{1}{4}$	$6\frac{3}{8}$ - $6\frac{1}{8}$	6 - $5\frac{3}{4}$	6 - $5\frac{3}{4}$
D-Mark	$6\frac{1}{8}$ - $6\frac{1}{8}$	$6\frac{1}{8}$ - 6	$6\frac{1}{8}$ - 6	$5\frac{13}{16}$ - $5\frac{11}{16}$	[illegible]	$5\frac{7}{16}$ - $5\frac{5}{16}$
Dutch [illegible]	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{1}{8}$ - 5	$4\frac{13}{16}$ - $4\frac{11}{16}$
[illegible]	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{1}{16}$ - $6\frac{1}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$
Portuguese [illegible]	$9\frac{1}{4}$ - 9	$9\frac{1}{4}$ - 9	$10\frac{1}{8}$ - $9\frac{13}{16}$	$10\frac{1}{8}$ - $9\frac{7}{8}$	10 - $9\frac{3}{4}$	10 - $9\frac{1}{2}$
Spanish [illegible]	$9\frac{1}{16}$ - $8\frac{7}{8}$	$9\frac{1}{4}$ - $8\frac{13}{16}$	$9\frac{1}{8}$ - $8\frac{15}{16}$	$8\frac{13}{16}$ - $8\frac{3}{4}$	$8\frac{5}{8}$ - $8\frac{1}{2}$	$8\frac{1}{8}$ - 8
Sterling	$5\frac{3}{8}$ - $5\frac{1}{8}$	$5\frac{3}{8}$ - $5\frac{3}{16}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$
Swiss Franc	$4\frac{1}{2}$ - $4\frac{1}{4}$	$4\frac{1}{2}$ - $4\frac{1}{4}$	$4\frac{5}{16}$ - $4\frac{3}{16}$	$4\frac{1}{8}$ - 4	4 - $3\frac{7}{8}$	$3\frac{13}{16}$ - $3\frac{11}{16}$
Can. Dollar	$3\frac{5}{8}$ - $3\frac{3}{8}$	$3\frac{3}{4}$ - $3\frac{1}{2}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{7}{8}$ - $3\frac{3}{4}$	4 - $3\frac{7}{8}$	$4\frac{3}{8}$ - $4\frac{1}{4}$
[illegible]	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{11}{16}$ - [illegible]	$4\frac{1}{16}$ - $3\frac{15}{16}$
[illegible] Lira	10 - 8	$8\frac{5}{8}$ - $8\frac{1}{8}$	$8\frac{1}{8}$ - $7\frac{7}{8}$	$8\frac{1}{8}$ - $7\frac{7}{8}$	$8\frac{1}{8}$ - $7\frac{7}{8}$	$8\frac{1}{8}$ - $7\frac{3}{4}$
Yen	$2\frac{3}{8}$ - $2\frac{1}{16}$	$2\frac{1}{4}$ - $2\frac{1}{16}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$2\frac{3}{8}$ - $2\frac{1}{4}$	$2\frac{3}{8}$ - $2\frac{1}{4}$
Asian $Sing	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	4 - 3	4 - 3	$4\frac{1}{8}$ - $3\frac{1}{8}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	[illegible]	[illegible]	Change	High	[illegible]	Est. [illegible]	Open int.
Mar	93.88	93.91	-0.01	[illegible]	[illegible]	32,308	[illegible]
Jun	94.38	94.40	[illegible]	94.43	94.37	[illegible]	73,558
Sep	94.76	94.78	-0.03	[illegible]	94.70	[illegible]	44,012
Dec	95.00	94.99	-0.07	95.01	94.93	11,147	26,611

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	[illegible]	[illegible]	Change	[illegible]	[illegible]	Est. vol	[illegible] int.
Mar	[illegible]	96.39	-0.15	96.42	96.40	356	5603
Jun	[illegible]	96.04	-0.20	[illegible]	96.03	230	4306
Sep	95.76	95.71	-0.22	95.76	95.74	224	1514
Dec	95.35	95.30	-0.26	95.35	95.34	81	[illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	[illegible]	High	[illegible]	Est. vol	Open int.
Mar	94.26	94.30	-0.02	94.33	94.26	39522	223615
Jun	94.69	94.76	-	94.78	94.68	[illegible]	[illegible]
Sep	95.01	95.05	-0.02	95.09	94.99	[illegible]	[illegible]
Dec	95.19	95.21	-0.04	95.22	95.14	30546	[illegible]

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. [illegible]	[illegible] int.
Mar	91.64	91.68	-0.03	[illegible]	91.64	6023	41177
Jun	92.20	92.24	-0.02	92.25	92.18	4407	40726
Sep	92.60	92.65	-0.01	92.65	92.59	2613	[illegible]
Dec	92.85	92.90	-	92.90	92.83	1128	[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	[illegible]	Change	High	Low	Est. vol	Open int.
Mar	96.00	95.98	-0.06	96.02	95.97	6354	32805
Jun	[illegible]	[illegible]	-0.07	[illegible]	[illegible]	[illegible]	19298
Sep	[illegible]	[illegible]	[illegible]	[illegible]	96.40	111	6301
Dec	96.42	96.41	-0.08	96.42	96.42	36	2297

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	[illegible]	Low	Est. [illegible]	Open [illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	93.80	1010	12755
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	669	10279
Sep	94.72	94.72	-0.05	94.72	94.69	311	8690
Dec	94.98	94.96	-0.07	94.98	94.93	353	[illegible]

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points [illegible]

	Open	[illegible]	Change	High	Low	[illegible]	Open int.
Mar	96.39	96.38	-0.01	96.43	96.38	[illegible]	[illegible]
Jun	[illegible]	96.03	[illegible]	96.08	96.02	[illegible]	[illegible]
Sep	[illegible]	[illegible]	-0.01	[illegible]	[illegible]	[illegible]	[illegible]
Dec	95.35	95.29	-0.03	95[illegible]	[illegible]5.28	140,934	235,881

■ **US TREASURY BILL FUTURES** (IMM) $1m per [illegible]

Mar	-	96.68	-	96.71	96.68	[illegible]	[illegible]
Jun	96.41	[illegible]	-0.01	96.42	96.39	[illegible]	16,522
Sep	96.10	96.09	[illegible]	[illegible]	96.09	709	3,654

All Open interest figs. [illegible] for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9425	0.10	[illegible]	0.63	0.05	0.03	[illegible]
9450	0.03	0.32	0.60	0.23	0.06	0.05
9475	[illegible]	0.16	0.40	0.46	0.15	0.10

Est. vol. total, Calls 7103 Puts 4461. Previous day's open int., Calls 213499 Puts 148007

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	[illegible] Mar	Jun	Sep	PUTS Mar	Jun	[illegible]
9575	0.24	0.54	0.68	0.01	0.02	0.02
9600	0.05	0.31	0.46	0.07	0.04	0.05
9625	0.03	0.12	0.27	0.30	0.10	0.11

Est. vol. total, Calls 0 [illegible] 250 Previous day's open int., Calls 1569 Puts 3235

UK INTEREST RATES

LONDON MONEY RATES

Feb 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$5\frac{5}{8}$ - 3	$5\frac{5}{8}$ - $5\frac{1}{8}$	$5\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$
Sterling CDs	-	-	$5\frac{13}{32}$ - $5\frac{11}{32}$	$5\frac{13}{32}$ - $5\frac{3}{8}$	$5\frac{3}{8}$ - $5\frac{5}{16}$	$5\frac{3}{8}$ - $5\frac{5}{16}$
Treasury Bills	-	-	$5\frac{3}{8}$ - $5\frac{1}{4}$	5 - $4\frac{15}{16}$	-	-
Bank Bills	-	-	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{1}{8}$ - $4\frac{31}{32}$	-
Local authority deps.	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$	$5\frac{7}{16}$ - $5\frac{3}{8}$
Discount market deps.	$5\frac{3}{4}$ - $3\frac{1}{4}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	-	-	-	-

UK clearing bank base lending rate $5\frac{1}{2}$ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{3}{4}$	$4\frac{1}{4}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{4}$pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.9320pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, [illegible] rate [illegible] period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, [illegible] to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate $5\frac{1}{2}$pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.56	94.59	-0.02	94.61	[illegible]	16464	101700
Jun	94.71	94.71	-0.05	94.72	[illegible]	33768	118146
[illegible]	[illegible]	94.71	[illegible]	[illegible]	[illegible]	17545	56097
Dec	[illegible]	94.64	-0.10	[illegible]	[illegible]	21018	74553

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9450	0.13	0.30	0.37	0.04	0.09	0.16
9475	0.03	0.14	0.22	[illegible]	0.18	0.26
9500	0.01	0.05	0.12	[illegible]	0.35	0.41

Est. vol. total, Calls 6569 Puts 1692. Previous day's open int., Calls 155411 Puts 139987

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williman Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk	6.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West	6.5
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire [illegible]	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5	● Members of [illegible] Banking & [illegible]	
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5	* In administration	
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

MONEY MARKET FUNDS

Money Market Trust Funds

Gross | Net | Gross CAR | Int Cr

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD | 0732 770114
Calcash Deposit Fund | 4.90 | - | 5.05 | 3-Mth
Deposits Over £1 million | 5.09 | - | 5.19 | 3-Mth
Deposits Over £2 million | 5.10 | - | 5.29 | 3-Mth

The COIF Charities Deposit Account
2 Fore Street, London EC2Y 5AQ | 071-588 1815
Deposit | 5.15 | - | 5.25 | 3-Mth

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AQ | 071-588 1815
Deposit | 5.20 | - | 5.30 | 3-Mth

Gartmore Money Management Ltd
16-18 Monument St, London EC3R 8QQ | 071-238 1425
TESSA Dealt | | | 071 238 6362
Call Fund | 4.58 | 3.42 | 4.61 | 6-Mth
7-day Fund | 4.62 | 3.46 | 4.67 | 6-Mth
Special Fund | 4.59 | 3.44 | 4.68 | 1-Mth
Dollar | 1.81 | 1.40 | 1.88 | 3-Mth
TESSA Prime | 4.52 | - | 4.00 | 3-Mth

Money Market Bank Accounts

Gross | Net | Gross CAR | Int Cr

Aitken Hume Bank plc
30 City Road, London EC1Y 2AY | 071-638 6070
Treasury Account - for professional advisers
£25,000-£49,999 | 5.00 | 3.750 | 5.12 | Mth
£50,000 or more | 5.25 | 3.9375 | 5.38 | Mth
[illegible]
Up to £9,999 | 3.50 | 2.625 | 3.56 | [illegible]
£10,000 - £24,999 | 4.00 | 3.0000 | 4.33 | [illegible]
£25,000 - £49,999 | 4.25 | 3.1875 | 4.58 | [illegible]
£50,000 or more | 5.00 | 3.75 | 5.12 | [illegible]
Money Market accounts - please telephone

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD | [illegible]
[illegible]

American Express Bank Ltd
Sussex House, Burgess Hill RH15 9AQ | 0444 232444
High Performance Cheque Account
[illegible]

Bank of Ireland High Interest Cheque Acc
36-40 High St, Slough SL1 1EL | 0753 516516
[illegible]

Bank of Scotland
38 Threadneedle St, EC2P 2LN | 071-601 6446
[illegible]

Barclays Select
PO Box 120, Wynwood Bn Pk, Coventry | 0800 400100
[illegible]

Barclays Prime Account H.I.C.A.
PO Box 125, Northampton | 0604 252891
[illegible]

Brown Shipley & Co Ltd
Founders Court, Lothbury, London EC2 | 071-606 9833
HICA | 4.50 | 3.375 | 4.58 | Qtr
Prof Unsued Acc | 4.50 | 3.375 | 4.58 | Qtr

Caledonian Bank Plc
8 St Andrew Square, Edinburgh EH2 2PP | 031 556 8235
HICA | [illegible] | 3.750 | [illegible] | [illegible]

Cater Allen Ltd
20 Birchin Lane, London EC3V 9DJ | 071-623 2070
HICA | 4.00 | 3.00 | 4.08 | Mth
Current £5,000 min. | 4.63 | 3.47 | 4.72 | Mth
Overnight | 4.75 | - | 4.8548 | Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH | 071-248 4000
[illegible]
Many other currencies are available - for rates please phone ext 2168

Clydesdale Bank Flexible Solution Acc
30 St Vincent Place, Glasgow G1 2HL | [illegible]
[illegible]

The Co-operative Bank
PO [illegible] 300, Skelmersdale, Lancs | 0345 252000
[illegible]

[illegible] & Co
[illegible]

Dao Heng Bank (London) PLC Premier Acc
10 Angel Court, London EC2R 7HP | 071-606 1610
[illegible]

Dunbar Bank Plc
[illegible]

Fidelity Money Market Account
[illegible]

Gartmore Money Management Ltd
16-18 Monument St, London EC3R 8QQ | 071-238 1425
HICA £10,000+ | 4.00 | 3.00 | 4.08 | 3-Mth

Halifax Bldg Soc Asset Reserve Cheque Acc
Trinity Road, Halifax HX1 2RG | 0422 333333
[illegible]

Julian Hodge Bank Ltd
10 Windsor Place, Cardiff CF1 3BX | 0222 220800
[illegible]

Humberclyde Finance Group
[illegible]

Leopold Joseph & Sons Limited
29 Gresham Street, London EC2V 7EA | [illegible]
Treasury High Interest Cheque Account
[illegible]

Kleinwort Benson Ltd
[illegible] | 071-387 1586
HICA (£2,500+) | 4.375 | 3.281 | 4.450 | Daily

[illegible] Benson Private Bank
[illegible] | 071-387 1586
HICA (£2,500+) | 4.375 | 3.281 | 4.450 | Daily

Lloyds Bank - Investment Account
71 Lombard St, London EC3P 3BS | 0272 433372
[illegible]

Midland Bank plc
PO Box 2, Sheffield | 0742 529384
[illegible]

Nationwide Bldg Soc - Businessinvestor
[illegible]

Portman Bldg Soc Prestige Cheque Account
Richmond Hill, Bournemouth, BH2 6EP | 0800 717263
[illegible]

Rea Brothers Limited, Bankers
Aldermans House, Aldermans Walk, London EC2M 3XR | 071-623 1155
[illegible]

Royal Bank of Scotland plc Premium Acc
42 St Andrew Sq, Edinburgh EH2 2YE | 031-523 8302
[illegible]

Save & Prosper/Robert Fleming
16-22 Western Rd, Romford RM1 3LB | 0800 282101
[illegible]

Tyndall Bank plc
29-33 Princess Victoria St, Bristol | 0272 744720
[illegible]

UDT Trust Limited
[illegible]

United Dominions Trust Ltd
[illegible]

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS | 071-382 6000
[illegible]

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE | 0752 224141
[illegible]

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE | 071-606 9485
High Int Cheque Acc | 4.50 | 3.38 | 4.58 | [illegible]

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate [illegible] to take account of [illegible] of interest paid other than once a year. *Compounded Annual [illegible] at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 7 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 7 / Frs.)

[illegible]

DENMARK (Feb 7 / Kr)

[illegible]

FINLAND (Feb 7 / Mks)

[illegible]

FRANCE (Feb 7 / Frs.)

[illegible]

GERMANY (Feb 7 / Dm.)

[illegible]

ITALY (Feb 7 / Lire)

[illegible]

NETHERLANDS (Feb 7 / Fls.)

[illegible]

NORWAY (Feb 7 / Kroner)

[illegible]

SPAIN (Feb 7 / Pts.)

[illegible]

SWEDEN (Feb 7 / Kronor)

[illegible]

SWITZERLAND (Feb 7 / Frs.)

[illegible]

PACIFIC

JAPAN (Feb 7 / Yen)

[illegible]

AUSTRALIA (Feb 7 / Aus$)

[illegible]

HONG KONG (Feb 7 / H.K.$)

[illegible]

MALAYSIA (Feb 7 / MYR)

[illegible]

SINGAPORE (Feb 7 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 7 / Can $)

4 pm close

[illegible]

MONTREAL (Feb 7 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Feb 7 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal daily. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day if faxing please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Monday, February 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	9.6m	1,050	-10	Toshiba	3.5m	725	
Nitsuko	7.6m	1,480	+20	Itochu	3.2m	680	+1
Nippon Steel	6.6m	343	-3	Kawasaki Steel	2.9m	349	-3
Taiyo Yuden	4.5m	1,070	+20	Sumitomo Elec	2.8m	1,620	+20
Mitsubishi Hvy	3.8m	703	-6	Nomura Sec	2.6m	2,260	-10

INDICES

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Feb	2276.0	2301.0	-38.0	2303.0	2267.5	34,449	21,968
Mar	2288.5	2312.5	-38.0	2314.5	2279.0	3,052	44,336
Jun	2287.0	2310.5	-37.5	2304.0	2287.0	3	2,512

Open Interest figures for previous day.

** Sat Feb 5 : Taiwan Weighted Price 6284.13, Korea Comp Ex 942.60. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable † IBIS/DAX after-hours index: Feb 7 - 2095.11 -46.70.

US INDICES

Dow Jones	Feb 4	Feb 3	Feb 2	1993/94 High	1993/94 Low	Since compilation High	Since compilation Low
Industrials	3871.42	3967.66	3975.54	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	105.04	105.21	105.32	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1826.32	1852.56	1862.29	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	220.21	224.23	225.15	256.46 (31/8/93)	217.11 (24/1/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3979.76 (3995.52) Low 3857.63 (3932.77) (Theoretical♦)
Day's high 3968.51 (3975.54) Low 3870.01 (3946.53) (Actual♦)

Standard and Poors	Feb 4	Feb 3	Feb 2	1993/94 High	1993/94 Low	Since compilation High	Since compilation Low
Composite ‡	469.81	480.71	482.00	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials	547.56	560.00	560.59	560.85 (2/2/94)	498.46 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.45	45.76	46.25	48.49 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.21	267.15	267.71	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	478.29	487.18	487.89	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	777.28	797.70	798.57	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 28	Jan 21	Jan 14	Year ago
Dow Jones Ind. Div. Yield	2.57	2.59	2.62	3.13
	Feb 2	Jan 26	Jan 19	Year ago
S & P Ind. Div. yield	2.28	2.35	2.34	2.46
S & P Ind. P/E ratio	28.51	27.99	28.13	27.44

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	468.95	467.70	-1.25	469.60	467.60	103,670	185,476
Jun	469.20	468.80	-1.20	469.20	468.80	2,050	8,345
Sep	471.30	471.00	-0.30	471.70	471.00	61	912

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Stone Cont	9,427,400	15¼	-⅜
Telefonica	6,247,400	73	-2⅛
Gen Motors	4,788,800	61⅛	-1½
RJR Nabisco	4,115,200	7½	-⅜
Citicorp	3,800,600	40½	-2
Pepsico	3,794,100	38⅝	-1⅜
Blockbuster	3,670,000	25⅞	-1⅛
Philip Morris	3,551,400	59⅞	-¼
Wal-Mart	3,501,400	27⅝	-¾
Unisys Corp	3,392,300	14¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 4	Feb 3	Feb 2
New York SE	375.863	318.004	328.766
Amex	23.805	20.541	23.949
NASDAQ	(u)	331.623	334.955
NYSE			
Issues Traded	2,744	2,746	2,733
Rises	295	919	1,268
Falls	2,042	1,182	843
Unchanged	407	645	622
New Highs	97	137	161
New Lows	50	19	14

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close February 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

4 pm close February 7

Continued from previous page

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 7

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 7

[illegible]

AMERICA

Dow rallies as buyers return at lower levels

Wall Street

US stocks rallied as investors failed to follow through on Friday's sell-off, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 22.23 ahead at 3,893.65, aided by bargain hunting and a wave of program trading. The more broadly based Standard & Poor's 500 was 1.05 higher at 470.86, even though declining issues outnumbered advances, 1,288 to 808. Secondary markets showed modest declines, with the American SE composite 2.36 down at 475.93, and the Nasdaq composite off 1.11 at 776.17.

Volume on the NYSE remained very heavy, with 215m shares traded by 1 pm.

Investors began the day cautiously after Friday's 96-point rout. Overseas activity brought a measure of encouragement, suggesting that the downturn in equities, triggered by the first tightening of US monetary policy in five years, was not picking up momentum.

The direction of US Treasury market was unfavourable, however. Prices across the maturity range declined as traders prepared for an influx of new supply later this week and the possibility of more bad inflation news on Friday, when the Commerce Department unveils January's producer price index.

Amid these crosscurrents, early activity was choppy, with the Dow bellwether index swinging from as many as 10 points down to 12 points ahead. Near midday, however, relief over the Dow's resilience began to dominate sentiment, and bargain hunters piled into some pivotal stocks.

Many of the cyclical issues contributing to the market's recent rally regained their stride. Alcoa climbed $1⅜ to $77⅞, International Paper added $1¼ to $76⅝ and Bethlehem Steel $⅜ at $23⅜. But 3M slipped $⅛ to $104⅞.

Automobile stocks were mixed, with General Motors gaining $1¼ to $62⅞. Chrysler shedding $⅝ to $60⅞ and Ford unchanged at $68.

Financial and banking stocks, which were among the hardest hit by the Fed's surprise announcement, opened weaker but firmed up as the morning progressed. JP Morgan was $⅝ higher at $69¼ and Bankers Trust up $⅛ at $82½. Merrill Lynch, the brokerage house, edged $⅜ up to $41⅞, while Morgan Stanley inched $¼ forward to $74⅞.

On the Nasdaq, their session lows. The reversal was led by Apple Computer was up $2¼ at $36.

Share prices in Buenos Aires closed 3.6 per cent down yesterday, wiping out nearly all the gains made last week, *writes John Barham.* The Merval index finished at 680.71. Investors were unnerved by Wall Street's fall on Friday and the government's weekend announcement that it intends to remove tax privileges for the financial sector. This would make income on shares, bonds and bank deposits liable to a 0.5 per cent tax. Shares have not suffered a similar reverse since February 1993, when prices fell 6 per cent.

Canada

Toronto was mixed at midday as gains in financial services and conglomerates offset losses in precious metals and communications. The TSE 300 index was up 9.79 at 4,456.98 in volume of 37.7m shares valued at C$470.9m.

SOUTH AFRICA

Johannesburg finished near to the day's lows, although selling was limited and some late bargain hunting was seen. Golds shed 71 to 1,944, industrials 83 to 5,739 and the overall index 88 to 4,933. De Beers dropped R4.25 to R109.

EUROPE

Senior bourses follow the transatlantic trend

Senior bourses found it difficult to detach from Wall Street after an initial fall on Friday's transatlantic losses. Their task was made no easier by conflicting advice from investment strategists, *writes Our Markets Staff.*

FRANKFURT followed the Dow, the Dax index closing the session 58.85, or 2.75 per cent lower at 2,079.4, dropping another 10 points after hours and closing the post bourse with a partial recovery and the Ibis-indicated Dax at 2,095.11.

Turnover rose from DM9.1bn to DM10.8bn. Financials lost out on interest rates, Dresdner Bank falling DM19.80, or 4.7 per cent to DM405.20; but Deutsche Bank recovered from DM792.50, down DM26.50 at the close to DM806 at the conclusion of the post-bourse. BMW, still supported by the Rover deal, actually managed a token rise of DM3.50 to DM770 at the end of the day.

PARIS dipped sharply at the opening but found its feet later on with brokers reporting that the selling was led by retail investors, as institutions remained largely absent.

The CAC-40 index finished down 42.11 at 2,287.06, off the low of 2,258.60.

Traders remained unperturbed by the rise in US interest rates, and noted that the Dow's resilience at yesterday's opening provided a support to trading in the afternoon.

Promodès, the retailing group, stood out with a gain of FFr17 to FFr1,135, almost alone among CAC-40 stocks in showing a rise. James Capel put out a hold note yesterday, following the company's recent turnover data which showed a rise of some 7 per cent, and ahead of the 1993 profit figures due early next month. Capel expects the latter to show an increase of 26 per cent, leading to an eps of FFr40.30.

ZURICH saw heavy selling by traders and speculators while institutional investors were largely inactive. The SMI index shed 76.8 to 3,089.8 as the day's events prompted some speculation that the market, which has risen steadily in recent months, could at last be facing a short-term correction of 5 per cent or more.

Among banks UBS lost SFr24 to SFr1,489, SBC shed SFr11 to SFr514 and CS Holding dipped SFr21 to SFr739.

AMSTERDAM lost ground but closed off the session low as some bargain hunting emerged. The AEX index finished off 5.30 at 205.60.

KLM featured with a less than average 50 cents fall to Fl 51.50. Investors have become more positive about the group recently while Kleinwort Benson reiterated its buy recommendation at the end of last week.

MILAN's loss was limited to 1 per cent after some short covering towards the end of the day and the Comit index fell 6.82 to 664.88.

BCI, due to be privatised later this month, rose another L51 to L5,291. Falck, the steelmaker, climbed L514 or 10 per cent to L5,633, after Friday's announcement that a shareholders syndicate, formed in December 1991, would not continue after June.

Alitalia soared L223 or 18.6 per cent to L1,419 on recent management change and on talks with other airlines.

MADRID saw heavy selling and the general index closed 7.30 lower at 349.17 in turnover up from Pta43.8bn to Pta59bn.

In a weak construction sector, Huarte lost Pta145, or 6.1 per cent at Pta2,215. In banks, Santander, which said over the weekend that it was considering a bid for the troubled Banesto, fell Pta130 to Pta7,190. Banesto itself ended Pta 54, or 6.75 per cent down at Pta750.

BRUSSELS dropped by just under 3 per cent at worst, but a mere 15 basis points cut in base rate stopped the slide in its tracks. After a flurry of Bel-20 basket buying near the close the index recovered to end only 1.64 down at 1,527.11.

VIENNA picked up from the day's lows, limiting the sesion's loss to 1.1 per cent in low turnover as investors awaited the outcome of last night's Wall Street performance. The ATX index finished 13.43 lower at 1,192.64.

HELSINKI suffered in the banking and forestry sectors, down 2 per cent and 1 per cent respectively, as the Hex index lost 72.6 to 1,899.3. **COPENHAGEN** eased in good turnover, while Unidanmark slipped DKr10 to DKr229 in spite of reporting its first profit since its formation in 1990. The KFX index lost 1.31 to 115.00.

WARSAW bounced 8.5 per cent higher as local investors, with few other investment opportunities, returned to the market after the sharp losses of the previous three sessions. The WIG index added 1,266 to 16,137.5.

Written and edited by William Cochrane, John Pitt and Michael Morgan

Europe – day's move

Finland	-3.7%
Oslo	-2.8%
Germany	-2.7%
Sweden	-2.7%
Switzerland	-2.4%
France	-1.3%
Denmark	-1.1%
Belgium	-0.1%

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1498.83	1499.03	1497.82	1497.65	1494.35	1494.75	1496.45	1495.54
FT-SE Eurotrack 200	1563.22	1560.38	1556.72	1556.34	1555.04	1558.10	1558.42	1557.75

	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31
FT-SE Eurotrack 100	1529.77	1527.17	1540.13	1532.83	1540.19
FT-SE Eurotrack 200	1592.27	1594.74	1607.10	1596.15	1604.36

Base value 1000 (26/10/90); Highday: 100 - 1500.97, 200 - 1563.93 Lowday: 100 - 1491.34 200 - 1551.77

ASIA PACIFIC

Falls in region vary as Japan worries about tax plans

Tokyo

Japanese investors concentrated on the lack of agreement within the coalition government, yet again, on how to finance the planned income tax cut which is the centrepiece of its economic stimulus package, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 287.03, or 1.4 per cent, to 20,014.40 as the Topix index of all first section stocks fell 13.36 to 1,601.44.

Traders acknowledged that Friday's fall on Wall Street due to the rise in the Fed Funds rate was also discouraging some investors since foreigners, especially US fund managers, were among active buyers of Japanese stocks during the past few weeks.

The Nikkei opened at the day's high of 20,254.93 and fell on arbitrage led selling, hitting a low of 20,012.20 in the early afternoon. Traders were cheered by support at the 20,000 level, but some of them feared that it could be breached if the government further delays its economic support package.

Volume came to 300m shares, against 377m. Activity dropped sharply in the afternoon session as investors retreated to the sidelines due to the political situation. Declines outscored advances by 746 to 293, with 130 issues unchanged. In London, however, the ISE/Nikkei 50 index improved by 3.26 to 1,328.33.

Some high-technology issues were firmer on the multimedia theme. Sony and Matsushita Electric Industrial gained Y10 apiece at Y6,290 and Y1,680 respectively.

However, Fujitsu, the most active issue of the day, dipped Y10 to Y1,050 on profit-taking and TDK shed Y140 to Y4,260.

Continued profit-taking in banks by corporate investors depressed Industrial Bank of Japan by Y30 to Y3,100 and Sakura Bank by Y30 to Y1,490. Brokers were also lower, with Nomura Securities ending Y10 off at Y2,260.

Issues newly introduced into the Nikkei 300 index rose ahead of the launch of the Nikkei 300 futures contract on the Osaka stock exchange next Monday. FamilyMart, the convenience store chain, put on Y30 at Y6,800 and Orix, the non-banking financial institution, firmed Y10 to Y3,570.

In Osaka, the OSE average receded 81.44 to 21,700.92 in volume of 57m shares.

Roundup

The region's markets reacted by widely varying amounts to the rise in US interest rates, with those more heavily exposed to the dollar showing the steepest declines.

Activity this week will also be influenced by closure for the Chinese new year on Thursday. Taiwan was already closed. However, India went its own way, upwards.

HONG KONG's domestic investors joined overseas institutions in selling which took the Hang Seng index down by 743.30 to 11,414.27.

Turnover was HK$9.67bn. The Fed Funds rate rise, said brokers, had triggered an inevitable correction after a 60 per cent market gain in the fourth quarter of 1993, although selling intensified in the afternoon as Nomura, the Japanese broker, cut its weighting of Hong Kong stocks from 3 per cent to zero.

Property shares were hard hit on the thought that local mortgage interest rates were now likely to rise. HSBC Holdings, the most active counter and strong last week, retreated HK$7 to HK$124.

BANGKOK dropped 99, or 6.9 per cent, to 1,344.81, the worst fall in the region. Turnover rose from Bt9.5bn to Bt10.9bn.

The big three banks, Bangkok Bank, Thai Farmers and Krung Thai, were among the top 10 losers, with falls of Bt9 to Bt188, Bt8 to Bt108 and Bt3.50 to Bt57.50 respectively.

BOMBAY went against the trend as the BSE index soared 224.24 to 4,141.81, helped, said Mr Nigel Spence of Lehman Brothers, by a flood of both foreign and domestic money and expectations of further economic liberalisation measures in the budget, due later this month.

SEOUL was affected by the introduction of government measures to cool the market's recent rally, and the composite index slipped 27.72 to 914.88.

The three most heavily capitalised stocks, Samsung Electronics, steel manufacturer Posco and Hyundai Motor, went the day's limit down at the opening, but recovered a little later. Samsung and Posco ended Won2,000 off at Won65,000 and Won58,500 respectively and Hyundai shed Won1,600 to Won39,200.

MANILA was unsettled by a general strike called for tomorrow to protest at the recent increase in prices of oil, electricity and transport fares.

The composite index declined 74.44 to 2,890.94 in turnover of 990.4m pesos, down from Friday's 2.5bn pesos.

Philippine Long Distance Telephone, which lost 12.50 cents to $75.50 in New York trading on Friday, fell 40 pesos to 2,105 pesos.

KUALA LUMPUR registered its largest one-day fall since January 12, the composite index losing 53.30 at 1,091.02.

AUSTRALIA saw an early drop reduced by bargain hunting, leaving the All Ordinaries index down a net 51.7 at 2,281.1. Turnover was A$800.2m. BHP shed 34 cents at A$18.92 and News Corp 32 cents at A$10.08.

Asia – day's move

Bangkok	-6.8%
Hong Kong	-6.1%
Kuala Lumpur	-4.6%
Seoul	-2.9%
Manila	-2.5%
Australia	-2.2%
Singapore	-1.9%
New Zealand	-1.9%
Bombay	+5.7%

Signals point in opposite directions

By Michael Morgan

Friday's announcement from Mr Alan Greenspan that the Federal Reserve was tightening US monetary policy came at the end of a week which had seen sharp rises in world equity markets.

South Africa led the way as the political outlook improved and foreign investors began to return. In Asia, Malaysia, Hong Kong and Japan put in impressive performances, as did Finland and Italy in Europe.

Developments in Washington during last week had left strategists in little doubt that US rates were about to rise. But there were striking differences in their views on the likely consequences and on the game plans that investors should adopt.

On Thursday, Mr Albert Edwards at Kleinwort Benson wrote: "In the US, Alan Greenspan could not have been clearer. He regards 3 per cent as an excessively low interest rate which has served its purpose to eliminate the banking crisis and alleviate the credit crunch. The Fed does not care what headline inflation is, rates are heading higher soon." Mr Edwards' response was to repeat the message he has been sending since November 4: "Hold cash."

But at Goldman Sachs, Mr Sushil Wadhwani thought it unlikely that the global bull run would end when US rates began to rise: "Evidence suggests that individual investors are slow to react to changes in interest rates. Looking at the last three troughs in rates, individual ownership of equities continued to rise even after interest rates had started to rise . . . Historically, individuals typically will only have made 10 per cent of the total eventual adjustment to a given change in interest rates after six months."

Mr Wadhwani argued that individual investors had still not fully adjusted their portfolios to the decline in interest rates that had already occurred. Consequently, even if rates began to rise, it was likely that ownership of equities would continue to increase over the next year.

He added that even if individual investors did not sell equities when interest rates began to rise, share prices might, nevertheless, fall because other investors mistakenly believed that individuals were about to sell. "We would view such price weakness as a buying opportunity," he wrote, a view he was reiterating yesterday.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+0.12	+3.15	+43.64	+46.90	+38.45	+36.42
Belgium	+0.39	+0.77	+26.27	+35.74	+28.05	+26.17
Denmark	+0.70	+5.81	+37.82	+56.28	+47.67	+45.50
Finland	+5.21	+14.25	+126.95	+137.91	+128.47	+125.14
France	+0.73	+1.92	+31.68	+32.99	+26.56	+24.70
Germany	+0.40	-2.69	+32.04	+37.75	+30.44	+28.52
Ireland	+0.09	+0.08	+53.53	+68.59	+51.32	+49.09
Italy	+4.11	+14.12	+39.67	+58.89	+41.28	+39.20
Netherlands	+1.03	+1.63	+39.93	+45.66	+38.32	+36.29
Norway	+1.74	+7.70	+56.01	+59.98	+50.67	+48.46
Spain	+1.05	+8.52	+44.58	+62.92	+34.73	+32.76
Sweden	+1.43	+5.53	+58.51	+54.14	+41.01	+38.93
Switzerland	+0.78	+4.13	+50.69	+54.12	+58.57	+56.23
UK	+0.85	+1.24	+22.79	+24.84	+24.84	+23.01
EUROPE	+0.98	+2.23	+32.35	+38.62	+32.11	+30.17
Australia	+3.61	+6.58	+47.72	+44.89	+52.88	+50.64
Hong Kong	+5.58	+8.16	+113.65	+122.01	+125.83	+122.52
Japan	+5.51	+8.38	+23.92	+23.43	+44.70	+42.58
Malaysia	+6.74	-3.66	+105.23	+111.22	+102.66	+99.69
New Zealand	+3.77	+8.50	+61.75	+80.44	+81.00	+78.34
Singapore	+3.93	-1.04	+56.06	+62.96	+70.84	+68.34
Canada	-0.90	+0.01	+25.60	+25.40	+21.77	+19.98
USA	-1.86	-0.02	+4.02	+7.31	+8.91	+7.31
Mexico	+4.48	+5.73	+70.57	+56.95	+60.05	+57.70
South Africa	+7.05	-1.67	+53.35	+63.76	+83.48	+80.79
WORLD INDEX	+1.43	+3.11	+20.07	+22.62	+28.26	+26.39

† Based on February 4th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 4 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY FEBRUARY 3 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	188.48	-0.4	187.31	128.78	170.10	175.32	-0.3	2.93	189.15	187.21	129.19	170.27	175.89	189.15	121.28	121.28
Austria (17)	191.20	-0.6	190.02	130.64	172.56	172.46	-0.2	0.92	192.38	190.40	131.39	173.17	172.87	195.41	139.23	139.41
Belgium (42)	168.10	0.4	167.06	114.85	151.71	148.28	0.4	3.88	167.37	165.64	114.31	150.85	147.74	169.06	138.95	139.24
Canada (107)	138.75	-2.7	137.89	94.80	125.22	133.51	-2.5	2.51	142.56	141.09	97.36	128.32	136.96	145.31	116.19	116.19
Denmark (32)	270.81	-1.1	269.14	185.03	244.41	248.23	-0.9	0.81	273.81	271.00	187.00	246.47	250.47	275.79	195.66	208.38
Finland (22)	156.72	0.6	155.75	107.08	141.44	181.79	0.9	0.56	155.74	154.14	106.37	140.19	180.21	156.72	65.60	68.90
France (99)	183.53	-0.0	182.40	125.40	165.64	169.63	0.2	2.74	183.54	181.66	125.35	165.21	169.20	185.37	147.00	147.00
Germany (59)	133.71	-1.0	132.89	91.36	120.67	120.67	-0.7	1.78	135.03	133.65	92.22	121.55	121.55	142.38	106.31	106.31
Hong Kong (56)	493.01	2.1	489.96	336.85	444.95	486.89	2.2	2.16	482.63	477.67	329.63	434.45	478.57	509.56	229.11	230.45
Ireland (14)	202.44	-1.3	201.20	138.32	182.71	198.73	-0.8	2.80	205.05	202.94	140.04	184.57	200.33	209.33	129.29	134.99
Italy (68)	76.38	0.9	75.91	52.18	68.93	95.94	0.7	1.71	75.72	74.94	51.72	68.16	95.23	78.93	55.21	60.03
Japan (469)	149.75	0.0	148.82	102.31	135.15	102.31	0.0	0.80	149.78	148.24	102.29	134.82	102.29	165.91	104.86	104.86
Malaysia (69)	522.12	0.1	518.90	356.74	471.23	556.31	0.0	1.31	521.72	516.36	356.32	469.63	556.28	621.63	267.56	267.56
Mexico (18)	2598.82	1.1	2582.76	1775.64	2345.43	8822.61	1.1	0.57	2569.30	2542.86	1754.74	2312.70	8722.88	2598.82	1410.30	1626.58
Netherland (26)	206.34	-0.3	205.07	140.98	186.23	183.08	-0.1	2.90	206.98	204.85	141.36	186.32	183.29	207.45	154.04	154.04
New Zealand (14)	76.49	-1.4	76.02	52.26	69.04	71.09	-1.4	3.27	77.59	76.79	52.99	69.84	72.11	77.59	42.62	42.82
Norway (23)	204.44	0.4	203.18	139.69	184.51	206.85	0.5	1.23	203.69	201.59	139.11	183.35	205.77	204.44	138.63	139.50
Singapore (45)	359.16	0.3	356.95	245.40	324.15	262.85	0.4	1.57	357.97	354.29	244.49	322.23	261.71	378.92	213.57	221.41
South Africa (60)	267.75	2.8	266.09	182.94	241.64	257.35	2.1	2.22	260.37	257.69	177.82	234.36	251.96	280.26	160.78	163.53
Spain (42)	154.81	0.6	153.85	105.77	139.72	164.87	0.6	3.57	153.92	152.33	105.12	138.54	163.86	155.78	116.33	127.80
Sweden (36)	230.02	0.7	228.61	157.17	207.60	267.18	0.4	1.31	229.52	228.18	156.08	205.71	266.10	230.02	152.32	152.32
Switzerland (49)	176.56	0.5	175.47	120.64	159.35	158.23	0.5	1.38	175.67	173.86	119.98	158.13	157.48	176.56	109.14	110.73
United Kingdom (216)	212.02	-0.9	210.71	144.86	191.35	210.71	-0.5	3.42	213.88	211.67	146.07	192.52	211.67	214.96	162.00	167.24
USA (518)	191.12	-2.3	189.94	130.58	172.48	191.12	-2.3	2.74	195.56	193.55	133.56	176.03	195.58	198.04	176.29	183.74
EUROPE (744)	177.05	-0.4	175.96	120.97	159.79	170.67	-0.1	2.69	177.70	175.87	121.36	159.95	170.78	178.58	134.88	136.61
Nordic (113)	220.60	0.2	219.23	150.72	199.09	225.23	0.2	1.10	220.07	217.81	150.30	198.10	224.80	220.60	144.65	144.85
Pacific Basin (722)	163.18	0.1	162.18	111.50	147.28	115.61	0.2	1.05	162.97	161.30	111.31	146.70	115.42	166.80	109.72	109.72
Euro-Pacific (1466)	168.80	-0.1	167.76	115.33	152.34	136.90	0.0	1.75	168.84	167.21	115.38	152.07	136.85	170.78	120.19	120.19
North America (625)	187.86	-2.3	186.70	128.36	169.54	187.14	-2.3	2.73	192.26	190.28	131.31	173.06	191.51	192.73	172.67	179.57
Europe Ex. UK (528)	154.92	0.0	153.97	105.85	139.82	146.92	0.1	2.17	154.96	153.36	105.85	139.50	146.80	155.73	116.28	116.28
Pacific Ex. Japan (253)	291.75	0.6	289.96	199.34	263.31	268.31	0.8	2.24	289.34	286.37	197.61	260.45	266.07	298.21	157.07	157.33
World Ex. US (1651)	170.68	-0.1	169.63	116.62	154.04	140.24	0.0	1.78	170.83	169.08	116.67	153.77	140.21	172.51	121.39	121.39
World Ex. UK (1954)	173.05	-0.9	171.98	118.23	156.17	151.08	-0.9	1.96	174.59	172.80	119.24	157.16	152.39	175.58	138.71	139.00
World Ex. So. Af. (2109)	175.90	-0.9	174.81	120.18	158.75	155.42	-0.6	2.11	177.54	175.71	121.25	159.81	156.75	178.58	140.96	141.41
World Ex. Japan (1700)	192.36	-1.2	191.17	131.43	173.61	188.20	-1.1	2.63	194.73	192.73	133.00	175.28	190.37	195.20	159.44	162.09
The World Index (2169)	176.44	-0.9	175.35	120.55	159.24	156.24	-0.6	2.11	178.02	176.18	121.58	160.24	157.32	178.97	141.01	141.46

Latest prices were unavailable for this edition.